CRITICAL DISSERTATION

ON

THE NATURE, MEASURES, AND CAUSES

OF

VALUE;

CHIEFLY IN REFERENCE TO THE WRITINGS

OF

MR. RICARDO AND HIS FOLLOWERS.

BY

THE AUTHOR OF ESSAYS

ON THE

FORMATION AND PUBLICATION OF OPINIONS,

&c. &c.

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PREFACE.

The subject of the following Dissertation is generally allowed to be one, both of high importance and of great difficulty.

"From no source," says Mr. Ricardo, "do so many errors, and so much difference of opinion in the science of political economy proceed, as from the vague ideas which are attached to the word value." And the same eminent writer, in the preface to the third edition of the Principles of Political Economy and Taxation, emphatically terms it a difficult subject. "In this edition," says he, "I have endeavoured to explain more fully than in the last, my opinion on the difficult subject of Value."

It is remarked by another author, that "he who is fully master of the subject of Value is already a good political economist." "Even for its own sake," he adds, "the subject is a matter of curious speculation: but in relation to Political Economy it is all in all: for most of the errors (and, what is much worse than errors, most of the perplexity) prevailing in this science take their rise from this source*."

Although much has been written and many efforts have been made to overcome the obstacles, which present themselves in this part of economical science, it may be affirmed with little risk of contradiction, that the success has not been in proportion to the labour bestowed. There appears to have been too little circumspection at the outset. The groundwork of the subject has not been examined

* The Templars' Dialogues on Political Economy, in the London Magazine for April, 1824, pages 341 and 342.

with that minuteness and closeness of attention which are due to its importance. Writers on political economy have generally contented themselves with a short definition of the term value, and a distinction of the property denoted by it into several kinds, and have then proceeded to employ the word with various degrees of laxity. Not one of them has brought into distinct view and discussion the nature of the idea represented by this term, or the inferences which a full perception of its meaning immediately suggests; and the neglect of this preliminary labour has created differences of opinion and perplexities of thought, which otherwise could never have existed.

There has been still more laxity, both of thought and expression, regarding the measurement of value. The vague manner in which the word measure, necessarily of frequent occurrence in the pages of the political

economist, is constantly employed, would surprise even the metaphysician, who is well aware of the extensive prevalence and unbounded influence of the chameleon-like properties of language. No writer (as far as the author of the following pages is acquainted with works on economical science) has ever taken the trouble to analyse the meaning involved in the phrase. To measure value is an expression apparently so simple, so precise, so free from obscurity, that it seems superfluous to bestow a single inquiry on its import. The consequence has been what it generally proves on such occasions: the term has been used without any clear perception of a definite sense; several ideas have been unconsciously and indiscriminately interchanged, and analogies, which had merely an imaginary existence, have been assumed as incontrovertible premises or universally conceded postulates.

The causes of value have been also too negligently passed over. Little inquiry has been made into the nature of these causes, or their mode of operation, and to this slightness of examination may be attributed several important errors, manifested in attempts at undue generalization, in perversions of language, and in the rejection of circumstances which have a real and permanent effect.

A singular confusion has also prevailed with regard to the ideas of measuring and causing value, and in the language employed to express them. The perpetual shifting from one notion to the other, the use of common terms for both ideas, and the consequent ambiguity, vacillation, and perplexity, exhibit a remarkable picture of the difficulty of thinking with closeness, as well as of the defects of language as an instrument of reasoning.

The confusion and obscurity, which mark the

works of some of the most celebrated writers on these momentous topics, are sufficient to make the student abandon his inquiries on the very threshold of the science. Words used without determinate ideas, terms introduced without proper explanations, definitions abandoned almost as soon as enunciated, principles assumed without first being examined, verbal instead of real simplifications—such are the obstacles which everywhere meet him.

That defects of this kind disfigure the science of political economy, no one acquainted with the most recent works on the subject will probably deny, although a difference of opinion may exist regarding the extent to which they prevail. It would be presumptuous in the author of the following treatise to suppose, that he had completely removed them from that part of the science which he has attempted to examine. He trusts, nevertheless, that he has

done something, if not towards directly effecting that object, at least towards opening the way for subsequent endeavours. If he has not succeeded in putting all his propositions in a clear light, and finally settling the various controverted questions which he brings under review, yet he may hope that he has introduced them in such a manner as will excite in others the interest and attention requisite for their ultimate determination. Free, on his own part, from particular attachment to any of the positions which he has maintained, although impressed with that clear conviction of their soundness, without which it would be absurd to intrude them on public notice; and sensible of the thousand ways in which error imposes itself on the understanding in the character of truth, he will be glad of an opportunity of reconsidering his opinions, under the guidance of a mind which has reached a higher point of

view than his own; nor will it greatly surprise him to discover, that he has fallen into errors and misconceptions as deep and as radical as any of those which he has found or fancied in the speculations of others.

From the defects here imputed to the science, it is evident that in any work, which professes to examine and remove them, the points discussed must be questions as to the use of terms, the distinction of ideas, the logical dependence of arguments, rather than questions of fact or evidence, and that its character will be essentially critical, and even polemic. In endeavouring to define the nature of ideas, to fix the meaning of terms, to investigate first principles, and to determine the real objects and results of inquiry, it was impossible, it would have been worse than useless, not to advert to the works of preceding writers, although at the expense perhaps of

that neatness and elegance of deduction, of which the subject is susceptible; and certainly at the risk of incurring, if not hostility, at least the utmost severity of examination from the talents and acumen, which such a course necessarily puts on the defensive. In the present state of political economy, however, a critical reference to the doctrines of preceding and contemporary economists cannot be avoided, and ought not to be avoided if it could. A mere direct expository treatise would be of far inferior utility. However true a doctrine may be, it is of little service until its relation to other doctrines, and its connection with knowledge already extant, has been shown. Embarrassed as the science is with difficulties on which opinion is divided, it is of the utmost importance for its future progress, not only to explain and establish correct principles, but to expose the de-

lusion which has formerly misled, to trace the process of error, to mark the particular point where inquiry departed from the right path, or where the unperceived fallacy, which has vitiated a train of reasoning, first insinuated itself into the argument. The science cannot yet be exhibited as a regular and perfect structure. The rubbish must be removed, the ground cleared, the scaffolding taken down, and all unnecessary and cumbrous appendages must be discarded, before the building can rise upon the eye in that simple beauty in which it is destined hereafter to appear.

The writer, on whose doctrines the following treatise principally animadverts, is generally regarded as the ablest economist of his day. It has been unfortunate, perhaps, for Mr. Ricardo's ultimate reputation, and certainly for the science which he cultivated, that his admirers have extolled him beyond the sobriety

of truth. Strong powers of mind he unquestionably possessed; otherwise, he could neither have produced the works which have associated his name with the political measures of the age, nor could he have inspired those sentiments of admiration and deference, which have been so warmly manifested by men, themselves of no common talents. It is probable, however, that the excess of their admiration has blinded them to his defects; that they have been too much occupied with the excellence of his speculations to note the errors by which they are disfigured. It would be difficult, on any other supposition, to account for the extravagant praises which have been heaped on his Principles of Political Economy and Taxation. One of our most distinguished living economists designates it as a "work rivalling the 'Wealth of Nations' in importance, and excelling it in profoundness and originality*."

* A Disc. on Pol. Econ., by J. R. M'Culloch, Esq., p. 65.

"The powers of mind," says the same writer, "displayed in these investigations — the dexterity with which the most abstruse and difficult questions are unravelled — the unerring sagacity with which the operation of general and fixed principles is investigated — the skill with which they are separated and disentangled from such as are of a secondary and accidental nature — and the penetration with which their remotest consequences are perceived and estimated — have never been surpassed; and will for ever secure the name of Ricardo a high and conspicuous place in the list of those, who have done most to unfold the complex mechanism of society, and to carry this science to perfection."

Conceding that Mr. Ricardo has displayed considerable originality and power of intellect, we may yet be permitted to doubt, whether this splendid eulogium is not far beyond his real deserts. It is not easy to conceive by what process

a superiority above Adam Smith, as a profound and original thinker, can be inferred from their respective works. To raise the science from the condition in which it was found by the latter, to that state of dignity and importance in which it appeared in the Wealth of Nations, seems to an ordinary view to have required a far more comprehensive mind, and greater powers of skilful disquisition, than to discover and to follow out to their consequences the original truths, few or many, which distinguish the pages of the Principles of Political Economy and Taxation. The praise, too, of dexterity in unravelling difficult questions is surely misapplied. The obscurity which is almost universally felt, and felt even by readers accustomed to closeness of reasoning, and not sparing of vigorous attention, in many of Mr. Ricardo's discussions, incontestably proves, even on the supposition of their perfect accuracy, a want of skill in the ma-

nagement of his materials, a defect either in the disposition of his ideas or the employment of his terms. It is the triumph of dexterity in dissertation to present every proposition in such due order and such perspicuous language, as to lead the reader to imagine, that he should himself have expressed the meaning nearly in the same manner and in the same words. There is scarcely a single train of thought in the Wealth of Nations, which a mere tyro would feel it difficult to follow, and of which the aim and connection with the subject would not be perfectly intelligible: but there are many observations in the writings of Mr. Ricardo, which it requires the effort of a vigorous mind to connect with the other propositions amongst which they stand. His ideas are often imperfectly developed, and his reasoning appears elliptical and disjointed; defects, indeed, which have possibly elevated rather

than lowered his standing in general estimation. The

"*omne ignotum pro magnifico*"

is not without its exemplifications in the field of science, and the reputation of an author for profundity is sometimes enhanced by an intermixture of the unintelligible, many readers tacitly ascribing unusual sagacity to one, who is able to understand what is incomprehensible to themselves; while a lucid arrangement of ideas, a manifest dependence of arguments, and a perspicuity of language, such as mark a complete mastery of the subject, appear too easy and natural to infuse the slightest suspicion of the depth and vigour of intellect from which they proceed, and of which they are the surest indications.

The occasional obscurity, which clouds Mr. Ricardo's writings, has sometimes been attributed to his style, and sometimes to his ambition of paradox. But if by style we are to under-

stand the selection of words, and the mode of combining them into sentences, the former solution is incorrect, for his language is uncommonly precise and perspicuous, and the construction of his periods is simple and compact. The latter explication is, if possible, still more unfounded, there being an evident simplicity of aim and steady pursuit after truth in his writings, such as are natural to a mind of any originality, and which exclude the idea that he indulged the contemptible ambition of perplexing his readers. The defect had a deeper source, and is to be traced, as the following pages will show, to an original perplexity and confusion in some fundamental ideas, from which he was never able to extricate himself. Although Mr. Ricardo possessed remarkable logical powers, he seems to have been less gifted with analytical subtilty; and hence his writings furnish an instance of what the observer of the

human mind must have frequently seen exemplified, that the strongest powers of reasoning are an insufficient security against gross error, if unaccompanied by that incessant analysis of terms and propositions, and that intense consciousness of intellectual operations, which are the properties of a metaphysical genius. Of this cast of intellect, the most striking instance perhaps which our own times afford is to be found in the writings of the late Professor of Moral Philosophy in the university of Edinburgh, Dr. Thomas Brown; a man who possessed, in an almost unrivalled degree, the capacity of looking into the mechanism of his own mind, and seeing the impalpable phenomena of thought and feeling, as well as the power of flinging to a distance the embarrassing influence of words, and fixing his eye with keen penetration on the things which they represented, stripped of the covering of language,

and freed from every tinge of feeling and association *.

To judge from his writings, Mr. Ricardo possessed little of this faculty; little consciousness of the nature of the operations in which he excelled, and little familiarity with the analysis of terms. His was a sort of natural vigour of reasoning, exerting itself without the advantages of discipline, without much acquaint-

* The author feels a pleasure in paying this passing tribute to the talents of a philosopher, who has taken a giant-stride in the science to which he devoted himself, and who will be hereafter considered as one of the most remarkable men of a period prolific in great names. The reputation of writings like his, far in advance of the age in which they appear, making no appeals to the senses, and having no obvious connection with the immediate and palpable affairs of life, is necessarily of slow growth, but it will flourish when hundreds of names, which fill more of the public ear, have passed to that oblivion which certainly awaits them.

ance with the instruments employed, or much thought regarding the methods of applying them: and although his logical powers kept him in general to the employment of a term in one uniform sense when he clearly discerned it, yet, in cases where he happened unconsciously to change the meaning, or to be unaware of an ambiguity, his inaptness at analysis precluded all chance of his subsequently correcting any deviation, and the very strictness of his deductions only led him further into error. Starting from a given proposition, he would reason from it with admirable closeness, but he seems never to have been sent back, by the strangeness of the results at which he arrived, to a reconsideration of the principle from which he set out, nor to have been roused to a suspicion of some lurking ambiguity in his terms. Hence it might have been predicted, that he would commit oversights in his premises and assumptions, for

which no subsequent severity of logic could compensate.

Perhaps these remarks will serve to explain how it is, that Mr. Ricardo has been eulogized for his inexorable consistency in the use of words, and particularly for his sternly insisting on the true sense of the word value, and on using it only in one sense*. If the author of the following pages has been at all successful, in establishing the justness of the strictures which he has hazarded, this praise must be allowed to be unfounded; for it will be seen, that in the case of the word value he has almost perpetually forsaken his own definition: yet an inconsistency of this sort is by no means incompatible with a general strictness in the employment of terms. If the preceding observations are correct, a writer may be rigorously consistent in

* Templars' Dialogues, Introduction.

the use of his terms through a long train of reasoning, while the whole of his conclusions may be vitiated by an unperceived transition from one meaning to another in the original adjustment of his premises, or in the first steps of his argument.

Besides Mr. Ricardo, the only writers on whom there are any strictures worthy of notice in the following work, are Mr. Malthus, Mr. Mill, and the author of the Templars' Dialogues on Political Economy, published in the London Magazine; of whom the two latter may be considered as having adopted the doctrines of Mr. Ricardo with little variation.

Mr. Malthus and Mr. Mill are too well known to the students of political economy, to render it necessary to say any thing in this place as to their general merits, and it can excite no surprise that the writings of either should be subjects of examination in a treatise

of this nature. With the Templars' Dialogues on Political Economy, probably fewer are acquainted, from the form in which they came before the public; and on this account, as well as from their state of incompleteness, they would not have occupied so many of the ensuing pages, had not the writer of the present work regarded them as an exposition of several of Mr. Ricardo's principles, peculiarly adapted to try their validity.

Adopting Mr. Ricardo's doctrines, the author of the Dialogues traces them fearlessly to their legitimate consequences, with a directness of logical deduction which nothing diverts; with great copiousness and felicity of illustration, great dexterity in putting forward the different parts of his theme, and an occasional humour, which even on a subject of this kind is irresistible. It must be obvious that a work of this character, pressing intrepidly forward from the

premises to the conclusion, and flinching from no consequences at which it arrives, forms a sort of *experimentum crucis*, by which the truth or falsity of the principles maintained will be rendered manifest, and is the very kind of exposition which an examiner of their correctness would desire.

It was in fact the clear, able, and uncompromising manner in which the author of the Dialogues explained the principles of Mr. Ricardo, together with the startling and (the present writer must be permitted to say) the extravagant consequences to which he pushed them, that first suggested the following treatise, the author of which takes this opportunity of expressing his regret (a regret shared by many others), that discussions so valuable for either confirming or disproving the doctrines which they enforced, should not have been conducted to their proper and their promised termination.

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CHAPTER I.

ON THE NATURE OF VALUE.

VALUE, in its ultimate sense, appears to mean the esteem in which any object is held. It denotes, strictly speaking, an effect produced on the mind; but as we are accustomed in other cases to give a common name to a feeling and to the cause which has excited it, and to blend them together in our thoughts, so in this case we regard value as a quality of external objects. Colour and fragrance, for example, are words which designate both the cause and the effect, both the material quality which produces the feeling in the mind, and the feeling produced. The philosopher, however, is the only one who discerns the distinction, and colour and fragrance are never thought of by the ge-

nerality of men, but as qualities of external objects.

It is precisely in the same way, that value is regarded as a quality belonging to the objects around us. We lose sight of the feeling of the mind, and consider only the power which the object possesses of exciting it, as something external and independent.

It is not, however, a simple feeling of esteem, to which the name of value, as used by the political economist, can be given. When we consider objects in themselves, without reference to each other; the emotion of pleasure or satisfaction, with which we regard their utility or beauty, can scarcely take the appellation of value. It is only when objects are considered together as subjects of preference or exchange, that the specific feeling of value can arise. When they are so considered, our esteem for one object, or our wish to possess it, may be equal to, or greater, or less than our esteem for another: it may, for instance, be doubly as great, or, in other words, we would give one

of the former for two of the latter. So long as we regarded objects singly, we might feel a great degree of admiration or fondness for them, but we could not express our emotions in any definite manner. When, however, we regard two objects as subjects of choice or exchange, we appear to acquire the power of expressing our feelings with precision, we say, for instance, that one A is, in our estimation, equal to two B. But this is not the expression of positive, but of relative esteem; or, more correctly, of the relation in which A and B stand to each other in our estimation. This relation can be denoted only by quantity. The value of A is expressed by the quantity of B for which it will exchange, and the value of B is in the same way expressed by the quantity of A. Hence the value of A may be termed the power which it possesses or confers of purchasing B, or commanding B in exchange. If, from any consideration, or any number of considerations, men esteem one A as highly as two B, and are willing to exchange the two commodities in that

ratio, it may be correctly said, that A has the power of commanding two B, or that B has the power of commanding half of A.

The definition of Adam Smith, therefore, that the value of an object "expresses the power of purchasing other goods, which the possession of that object conveys," is substantially correct; and as it is plain and intelligible, it may be taken as the basis of our subsequent reasonings, without any farther metaphysical investigation.

According to this definition, it is essential to value, that there should be two objects brought into comparison*. It cannot be predicated of one thing considered alone, and without reference to another thing. If the value of an object is its power of purchasing, there must be something to purchase. Value denotes consequently nothing positive or intrinsic, but

* "We cannot express value, or a variation of value, without a comparison of two commodities." Inquiry into the Nature and Origin of Public Wealth, by the Earl of Lauderdale, p. 19, second edition.

merely the relation in which two objects stand to each other as exchangeable commodities.

In the circumstance, that it denotes a relation between two objects, and cannot be predicated of any commodity without an express or implied reference to some other commodity, value bears a resemblance to distance. As we cannot speak of the distance of any object without implying some other object, between which and the former this relation exists, so we cannot speak of the value of a commodity but in reference to another commodity compared with it. A thing cannot be valuable in itself without reference to another thing, any more than a thing can be distant in itself without reference to another thing.

It follows from this view of value as a relation, that it cannot alter as to one of the objects compared, without altering as to the other. It would be an absurdity to suppose, that the value of A to B could alter, and not the value of B to A; that A could rise in value to B, and B remain stationary in value to A; an absurdity of much the same kind as supposing, that the dis-

tance of the earth from the sun could be altered, while the distance of the sun from the earth remained as before.

Suppose that at some former period, when the value of commodities was determined by the quantity of labour required to produce them, A and B were the only exchangeable commodities in existence, and that they were of equal value. If, from any circumstances, A should, at a subsequent period, require double the quantity of labour for its production, while B continued to require only the same, A would become of double value to B; or, in other words, one A would exchange for two B. But although B continued to be produced by the same labour, it would not continue of the same value, for it would exchange for only half the quantity of A, the only commodity, by the supposition, with which it could be compared.

It may be objected to this representation of the relative nature of value, that when we say the value of A is equal to the value of B, the expression implies a quality intrinsic and abso-

lute in each; for otherwise, how could we affirm that an equality existed between these two values? If the term value denotes merely a relation between A and B, would it not be absurd to talk of the equality of their values, just as it would be absurd in speaking of the distance between the sun and the earth, to talk of an equality of their distances from each other?

In reply to this objection, if we examine the real import of our expression, when we affirm the value of A to be equal to the value of B, we shall find it to mean neither more nor less than this, that A will exchange for B. This simple proposition contains the whole amount of meaning couched under the phrase, and it obviously expresses or includes no intrinsic or absolute quality in either commodity, but merely states a relation in which they stand to each other.

The phrase, the value of A is equal to the value of B, is in this view of the subject not altogether accurate; that is to say, if we speak only of two objects, without reference to

any others. But it will be found, that, in speaking of the value of A being equal to the value of B, we are led to use the expression by the constant reference which we unavoidably make to the relations of these commodities to other commodities, particularly to money, and the import of our language, in its whole extent, is, that A and B bear an equal relation to a third commodity, or to commodities in general.

It is from this circumstance of constant reference to other commodities, or to money, when we are speaking of the relation between any two commodities, that the notion of value, as something intrinsic and absolute, has arisen. When we compare objects with each other as exchangeable commodities, two relations necessarily mix themselves in our comparison— the mutual relation of the objects, and their relations to other objects; and it is these latter which occasion the semblance of absolute value, because they seem independent of the former, which is the immediate object of our attention. Indeed, it is generally by their relation to a third commodity, that we can at all

ascertain the mutual relation of two commodities which we are desirous of comparing. If we wish to know whether A and B are equal in value, we shall in most cases be under the necessity of finding the value of each in C; and when we affirm that the value of A is equal to the value of B, we mean only that the ratio of A to C is equal to the ratio of B to C.

The relative nature of value has not, it appears to me, been distinctly seen or uniformly kept in view by our best writers on the subject. Mr. Ricardo, for instance, who agrees with Dr. Smith in his definition of value, asserts, that if any one commodity could be found, which now and at all times required precisely the same quantity of labour to produce it, that commodity would be of an unvarying value*.

* Principles of Pol. Econ. p. 10, 2d ed. Mr. Ricardo has withdrawn this sentence in his 3d edition, and presented his readers with a new section, in which his doctrines are considerably modified. The alterations, however, do not, as will be shown immediately, at all affect the justness of the strictures in the text. And it may also

If value, however, denotes merely a relation, this proposition cannot be true. We may ask, to what would this commodity bear an invariable value? What is the correlative? Would it bear the same value to all other commodities? It might do so, it is true, but certainly not in consequence of being produced by an unvarying quantity of labour: for while the labour, in this instance, remained a fixed quantity, yet if the labour in other commodities were increased or diminished, the relations of value between this one commodity, and all others, would, on Mr. Ricardo's own principle, be instantly altered.

If corn, for example, always required precisely the same quantity of labour to produce it, but all other commodities whatever came to

be remarked, that notwithstanding the suppression of the sentence above cited, he retains another but slightly different in expression. "That commodity," says he (chap. xx, on Value and Riches), "is alone invariable, which at all times requires the same sacrifice of toil and labour to produce it."

be produced by half the labour formerly expended upon them, the value of corn could in no sense be said to remain the same. In proof of this, take Mr. Ricardo's own definition of value, "the power of purchasing other goods, which the possession of an object conveys." To say that a commodity is of unvarying value, is, according to this definition, equivalent to saying that its power of purchasing other goods remains constantly uniform; or, to vary the language, that the quantity of other goods for which it will exchange never alters. But, in the example we have adduced, the same quantity of corn would exchange for an increased quantity of any other commodity; and consequently, by Mr. Ricardo's own definition, would have risen in value.

It may possibly be alleged, that it is not the corn, but other commodities which have varied in value, and therefore Mr. Ricardo's language is correct. If value were a positive or intrinsic quality, this might be true; but since it denotes a mere relation between two objects, to suppose any alteration could take place in this relation

as to one and not as to the other; to suppose that the value of A to B could be altered, and not the value of B to A, would, as I have already remarked, be as absurd, as supposing that the distance of the sun from the earth could be increased or decreased, while the distance of the earth from the sun remained as before.

The truth intended to be conveyed by saying that B remains of the same value is, that the cause of the altered relation between A and B is in the former, and not in the latter; and to determine where the change originated is in fact the whole object of those who endeavour to show what commodities have remained stationary in value, and what have varied.

It is so important to bear in mind, in these cases of rising and falling, that as A rises, B necessarily falls; or, to speak with greater precision, that the value of A cannot increase in relation to B, without the value of B decreasing in relation to A, that I may be pardoned for still further showing the impropriety, or at least the danger, of using the terms rise and fall in

a way which implies, that when A *rises or falls,* B *remains stationary.* If A, in consequence of additional labour expended upon it, or any other cause, were to increase in value relatively to the mass of commodities, which may be represented under the letters B C D, it would be said, by most economists, that B C D had not fallen, but remained stationary; although they would evidently have fallen, or become of less value, in relation to A. The assertion of their remaining stationary, can mean only stationary to each other; and in this sense it is perfectly correct, but the correctness of the language as to B, C, or D individually, evidently depends on the existence of some other commodity to which its relation remains undisturbed. Were there only two commodities in question, the phrase "remaining stationary" would be altogether erroneous; and when there are more than two, when there are a number of commodities concerned, some of which have varied in the circumstances of their production, while others have undergone no change, this phraseology becomes destitute of all precision, and

leads either to vague and nugatory propositions, or to positive error.

An illustration of these remarks may be found in a passage of Mr. Ricardo's work, where he maintains, in opposition to M. Say, that if, in consequence of increased facility in producing other commodities, cloth should exchange for a double quantity of them, compared to what it did before, we ought to say, that *cloth retained its former value*, and that the commodities, compared with it, had fallen to half their former value.* This language,

* "According to M. Say, if the difficulty of producing cloth were to double, and consequently cloth was to exchange for double the quantity of the commodities for which it exchanged before, it would be doubled in value, to which I give my fullest assent; but if there were any peculiar facility in producing the commodities, and no increased difficulty in producing cloth, and cloth should in consequence exchange as before for double the quantity of commodities, M. Say would still say that cloth had doubled in value; whereas, according to my view of the subject, he should say, that *cloth retained its former value*, and those particular commodities had fallen to half their former value."—Principles of Political Economy, chap. xx, p. 328, 3d edit.

however, would be evidently incorrect, unless the value of an object were something intrinsic, and independent of other commodities; but since value, as I have shown, is essentially relative, if any commodities had fallen in relation to cloth, cloth must have acquired additional value, or have risen in relation to those commodities.

Mr. Ricardo's proposition might, indeed, be true, if he meant by other commodities only a certain number of other commodities. These, for convenience, may be termed Class 1, and all commodities not included in Class 1 may be referred to Class 2. Now if Mr. Ricardo meant, that when Class 1 came to be produced with increased facility, so as to exchange for half the quantity of cloth, while Class 2, in point of facility of production, remained as before, cloth would retain its former value in relation to Class 2, he would be perfectly correct; but if this had been his meaning, there could have been no point of dispute between him and the author on whose language he is animadverting; and that it was not what

he intended, the connection and tenour of the whole passage sufficiently evince.

The contradiction involved in affirming the stationary or invariable value of any object amidst the variations of other things, is so direct and palpable, that it may be instructive to point out the way in which a writer of such powers of reasoning, as Mr. Ricardo unquestionably possessed, has been led into so strange and manifest an error.

Since value denotes a relation between two objects, no arguments are required to prove, that it cannot arise from causes affecting only one of the objects, but must proceed from two causes, or two sets of causes respectively operating on the objects between which the relation exists*. If A is equal in value to B,

* Value implying, as I have before shown, a mental affection, and consequently all causes of value being, in reality, circumstances affecting the mind, it might be more correct to speak of the causes operating on the mind with regard to an object, than of the causes operating on the object itself; but the latter is a shorter mode of expression, sufficiently intelligible, and not likely to lead into error.

this must be owing not only to causes operating on A, but also to causes operating on B. The fact of a pound of gold exchanging for fifteen times the quantity of corn that can be obtained for a pound of silver, cannot be referred to causes operating on the corn, but to a difference in the causes operating on gold and silver. Hence, how constant or uniform soever a cause affecting one commodity may be, it cannot make that object of constant value, without the concurrence of other invariable causes acting upon the commodity with which it is compared.

It is precisely this essential circumstance, which has escaped the notice of Mr. Ricardo. When he asserts, that a commodity would be of invariable value, if it were always produced by the same quantity of labour, he overlooks one half of the causes concerned in the determination of value; for a moment's consideration will teach us, that such a commodity could be of invariable value, in relation to those commodities alone, of which the producing labour had also remained a constant quantity. Not ad-

verting to this, Mr. Ricardo appears to have reasoned, that because the quantity of labour (according to his doctrine) is the cause of value, if the cause in any one commodity remains the same, the effect must necessarily be the same. But granting his doctrine, that the quantity of labour determines value, it must be the quantity requisite for the production of each commodity compared, and not the quantity requisite for that of only one. The value of both, or their relation to each other, must necessarily vary with every change in the quantity of producing labour required for either.

To assert indeed, that the value of an object, or its relation to another object, was invariable, because whatever alteration had taken place in the latter object, the former had undergone no change in the conditions of its production, would be as absurd as to assert the unvarying likeness of a portrait to the original, because, however the man had altered in feature, the portrait itself had retained precisely the same lineaments. The relation of value, as well as

the resemblance between two objects, depends upon both, and changes with a change in either of them.

Mr. Ricardo's modifications of his doctrine of the invariable value of a commodity produced by the same quantity of labour, make no difference in the force and applicability of the preceding remarks. For he still asserts, that a commodity produced by a uniform quantity of labour, would be of invariable value in relation to commodities produced under the same circumstances as itself*, as to the proportions of fixed and circulating capital, the durability of the fixed capital, and the time required to bring the commodity to market. If a commodity, for instance, were produced solely by labour, and always required the same quantity to produce it, it would be of invariable value in regard to such commodities as were produced by labour alone. Mr. Ricardo, indeed, so far agrees with the view here taken, as to maintain the impossibility of finding any commodity of invariable value.

* Principles of Pol. Econ. p. 43, third edit.

His reason for this opinion is not, however, that *the value of this commodity* would necessarily *vary with the value of the commodities compared with it*, but that no commodity could be found, which is not itself exposed to the same causes of fluctuation as all other commodities. My proposition is, that if the causes affecting any one commodity continued unaltered, this commodity would not be invariable in value, unless the causes affecting all commodities compared with it, continued unaltered. Mr. Ricardo, on the contrary, maintains, that provided the causes affecting one commodity were always the same, the commodity would be of invariable value, in regard to commodities produced under the same circumstances, notwithstanding any changes in the causes affecting them, provided those changes did not extend to the proportions betwixt the fixed and circulating capital, the durability of the fixed capital, or the length of time required to bring the commodity to market. What I assert is, that if all commodities were produced under ex-

actly the same circumstances, as for instance, by labour alone, any commodity, which always *required the same quantity of labour, could not be invariable in value, while every other commodity underwent alteration*: he asserts, on *the other hand, that such a commodity would* be invariable, and, according to his doctrine hereafter to be examined, would form a perfect measure of other things.

Clear and definite ideas on the present subject are so essential to the political economist, that it will not be a vain labour to point out the mistakes of another eminent writer concerning it. Mr. Malthus has not avoided those of Mr. Ricardo. After defining value, in accordance with that writer, as expressing the power of commanding other objects in exchange; he proceeds to say, that this power "may obviously arise either from causes affecting the object itself, or the commodities against which it is exchanged*. In the one case, the value of

* In this passage there is a palpable inaccuracy in expression. Mr. Malthus has not even succeeded in bring-

the object itself may properly be said to be affected; *in the other, only the value of the* commodities which it purchases; and if we

ing out his own meaning. He states two cases; in one, the power of purchasing, possessed by any object, is said *to arise from causes affecting the object itself*; in the other, *its power of purchasing is said to arise from causes affecting the commodities against which it is exchanged.* He then proceeds to observe, that in the first case "the value of the object itself may properly be said to be affected:" *i. e.* "if the power of purchasing possessed by any object arises from causes affecting the object itself, the value of the object itself may properly be said to be affected." This must be allowed to be a very unmeaning proposition. Mr. Malthus evidently intended to say, not that the *power of purchasing* possessed by any object, but that a *change* in its power of purchasing, might arise either from causes affecting that object, or from causes affecting the commodities compared with it.

Many similar instances of negligence and inaccuracy of expression disfigure the pages of Mr. Malthus's pamphlet, the more unpardonable, not only because he is master, when he chooses, of an excellent and perspicuous style, but because such passages form serious impediments to the progress of a science, which requires the utmost clearness and precision of language, both for its improvement and its diffusion.

could suppose any object always to remain of the same value, the comparison of other commodities with this one would clearly show which had risen, which had fallen, and which had remained the same. The value of any *commodity estimated in a measure of this kind, might with propriety be called its absolute or* natural value; while the value of a commodity estimated in others which were liable to variation, whether they were one or many, could only be considered as its nominal or relative value, that is, its value in relation to any particular commodity, or to commodities in general*."

We have here invariable, absolute, natural, nominal, and relative value; but, throughout the whole of the passage, the notion of value as something intrinsic or absolute is apparent. Departing at once from his own definition, he maintains, that the value of an object may be affected without affecting the value of the com-

* The Measure of Value stated and illustrated, p. 1, et seq.

modities for which it is exchanged: that is, that the power of A in commanding B in exchange may be altered, while the power of B in commanding A remains as before. Mr. Malthus has fallen into the same error, which we have already noticed in Mr. Ricardo; the error of supposing, that if a commodity continued the same in the circumstances of its production, it would retain the same value amidst the fluctuations of other commodities. The inconsistency of this with the definition of value has already been sufficiently exposed; and as it is the basis of Mr. Malthus's notion of absolute value, that notion necessarily falls to the ground. The very term absolute value, implies the same sort of absurdity as absolute distance; while the invariable value of one object, amidst the fluctuations of all other things, is as self-contradictory a *notion* as the invariable resemblance of a picture, to the natural scenery from which it was taken, amidst all the vicissitudes of the seasons, the touches of time, and the encroachments of art.

The same error runs through the whole of Mr. Malthus's pamphlet, entitled "The Measure of Value stated and illustrated;" and is involved in the position which it is the object of that pamphlet to establish. He maintains, after Adam Smith, that labour is always of the same value; that is, according to his own definition, always retains the same power of commanding other objects in exchange; and yet, in the same treatise, he speaks of the labourer earning a greater or smaller quantity of money or necessaries, and insists that it is not the value of the labour which varies, but the value of the money or the necessaries. As if produce or money could change in value relatively to labour, without labour changing in value relatively to produce or money. But we need not be surprised at any implied inconsistency in Mr. Malthus, when, after having set out with the definition which we have already quoted, that value is "the power of commanding other objects in exchange," or, in other words, "the power of purchasing," he subsequently makes

the direct assertion, that "although money may increase in its power of purchasing, it does not necessarily increase in value*." If Mr. Malthus thus abandons his own definition, what other will he put in its place?

I have already shown, that the power of purchasing, or the power of commanding other objects in exchange, can be expressed only by quantity. In other words, the value of one commodity can be expressed only by the quantity of some other object for which it will exchange. When a hat is said to be twenty shillings in value, it is obvious that the value of the hat is expressed by the quantity of silver: when a yard of cloth is said to be worth two bushels of wheat, the value of the cloth is expressed by the quantity of wheat. It is impossible to designate, or express the value of a commodity, except by a quantity of some other commodity.

The power of purchasing, or the value of an object in relation to some other object, admits

* Page 62.

of degrees; it may be greater or less; which means, that the former object may command a greater or smaller quantity of the latter. In no other sense can the power of one commodity to purchase another be said to increase or decrease. As the value of an object A, can be expressed only by the quantity of some other object B, so an increase in the value of A, can be expressed only by an increase in the quantity of B.

Simple as these conclusions appear to be, and directly flowing from the definition of value universally adopted, Mr. Ricardo has drawn contrary inferences. Although he agrees with Dr. Smith, in defining value to express the power of purchasing, and although, in the very first proposition in his book, he speaks of the value of a commodity as synonymous with the quantity of any other commodity, for which it will exchange*, yet in another chapter of his

* "The value of a commodity, or the quantity of any other commodity for which it will exchange, depends on the

work he says, "I cannot agree with M. Say in estimating the value of a commodity by the abundance of other commodities, for which it will exchange*." In accordance with the definition, *this means that he cannot agree with M. Say in estimating the power of a commodity to purchase other commodities, by the quantity of the latter, which it will purchase.* But if the power of a commodity to purchase be not measured by the quantity purchased, what other mode of estimation can be found? It is no great degree of boldness to challenge the whole body of economists to produce a different meaning of the word power, or a different measure of its degrees.

One of the most accomplished of Mr. Ricardo's disciples, the author of the Templars' Dialogues on Political Economy, whose writings

relative quantity of labour which is necessary for its production, and not on the greater or less compensation which is paid for that labour." See title of Section i, Chap. 1.

* Page 333, third edition.

can seldom be read without both pleasure and instruction, is still more explicit on this subject, and more unmeasured in his language than Mr. Ricardo himself. He asserts, in terms to which nothing can lend additional positiveness, *"that there is no necessary connection at all, or of any kind, between the quantity commanded, and the value commanding*:"* and again, "I presume, that in your use, and in every body's use of the word value, a high value ought to purchase a high value, and that it will be very absurd if it should not. But as to purchasing a great quantity, that condition is surely not included in any man's idea of value †."

The plausibility of this passage will disappear on a little reflection. An article of high value, A, will truly enough purchase another article of equally high value, B, but these two articles will not be high in relation to each other: the term high, in this connection, must

* London Magazine for May 1824, page 552.

† Ibid. page 557.

be used to denote their value in relation to a third commodity, or to commodities generally; and the precise reason why A and B are said to be high in relation to a third commodity, is, that a small quantity of them commands in exchange a large quantity of the latter. Gold is said to be fifteen times more valuable than silver, because an ounce of gold, no matter from what cause, will command fifteen ounces of silver. So far, therefore, from quantity being excluded from any man's idea of value, it is essential to it, and to express value, except by quantity, is impossible. The mistake, both in this writer and in Mr. Ricardo, evidently arises from an inaccurate apprehension of the true nature of value. Instead of regarding value as a relation between two objects, they seem to consider it as a positive result produced by a definite quantity of labour. If the quantity of labour necessary for the production of an object is always the same, the value according to them is always the same, however other objects may have varied; so that, in fact, the circum-

stance of its being produced by a certain quantity of labour constitutes its value, independently of any other circumstances. Whatever variations there might be in the quantities of other things which this object commanded, it would be still of the same value, because produced by the same labour.

These authors appear to have had an unsteady apprehension of a sufficiently distinct proposition, and one, too, on which they have largely insisted, namely, that the values of commodities are in the same ratio as the quantities of labour bestowed upon them. Sometimes they have apparently construed this to mean, that the value of any one commodity is in proportion to the labour employed upon it. Because the values of A and B, according to their doctrine, are to each other as the quantities of producing labour, or, as it is sometimes expressed, are determined by the quantities of producing labour, they appear to have concluded, that the value of A alone, without reference to any thing else, is as the quantity of its pro-

ducing labour. There is no meaning certainly in this last proposition, but there is so much of the appearance of it, that the most cautious investigator might be led astray by the semblance.

After these critical strictures, it is a pleasure to cite a passage from an author, whose views as to the nature of value appear to me to be sounder than those of any other writer.

"Even if a commodity," says he, "could be found, which always required the same expenditure for its production, it would not therefore be of invariable exchangeable value, so as to serve as a standard for measuring the value of other things. Exchangeable value is determined, not by the absolute, but by the relative cost of production. If the cost of producing *gold remained the same, while the cost of producing all other things should be doubled, then would gold have a less power of purchasing all other things than before*; or, in other words, its exchangeable value would fall one half; and this diminution in its exchangeable value would be precisely the same in effect, as if the

cost of all other things remained unaltered, while that of producing gold had been reduced one half. In the very term, exchangeable value, a relative and not an absolute quantity is implied. If gold should have a greater or a less power of purchasing all other things, then all other things would have a greater or less power of purchasing gold. It is impossible to increase the exchangeable value of one set of commodities, without at the same time diminishing the exchangeable power of the other set of commodities with which the first is compared *."

The following propositions may be stated as the results of the investigation in which we have been employed. Simple as they appear, we have seen that it is possible to overlook them.

1. *Inasmuch as the term value denotes a relation between two objects, a commodity cannot be said to possess value, or to alter in value,*

* An Essay on the Production of Wealth, by R. Torrens, Esq.

without an express or implied reference to some other commodity. *Its value must be value in something, or in relation to something.*

2. This relation between two objects cannot alter as to one, without altering as to the other. If A rises in relation to B, B cannot remain stationary, but must fall in relation to A.

3. The value of a commodity can be expressed only by a quantity of some other commodity.

4. A rise in the value of a commodity A, means, that an equal quantity of this commodity exchanges for a greater quantity than before of the commodity B, in relation to which it is said to rise.

5. A fall in the value of A, means, that an equal quantity of it exchanges for a smaller quantity of B.

In the examination of the present subject, as discussed by those writers on whose doctrines I have ventured to animadvert, I have been forcibly struck with the vagueness, the inconsistencies, and the errors, which have arisen

from speaking of value as a sort of general and independent property; and I cannot too strongly recommend the student of political economy never to let the word value pass before him without putting the question, "value in what?" or, "in relation to what?" The value of a commodity must be its value in something, and whenever the term is used with any definite meaning, that something may be assigned. If it cannot be assigned, the reader may rest assured that the author, whoever he be, is writing without any determinate ideas. Whoever resolutely applies this rule in reading our economical writers, will be surprised and pleased at the light which it will pour over their pages. The most difficult and obscure passages will frequently brighten into perspicuity, and the sum of their truth as well as of their error will stand apparent. The brilliant paradox, the ingenious fallacy, the seemingly profound observation, will separate into two distinct parts, one exhibiting the gaudy fragments of sophistry and delusion, the other the simple truth,

which they only served to hide with their cumbrous splendour. We may apply to the rigorous exaction of a uniform sense, from the terms employed in discussions of this nature, what an eloquent writer has said of the detection of a fallacy in a fundamental maxim.

"To discover error in axioms," says he, "or in first principles grounded on facts, is like the breaking of a charm. The enchanted castle, the steep rock, the burning lake disappear: and the paths that lead to truth, which we imagined to be so long, so embarrassed, and so difficult, show as they are, short, open, and easy *."

* Of the True Use of Retirement and Study, by Lord Bolingbroke.

CHAPTER II.

ON REAL AND NOMINAL VALUE.

A DISTINCTION of value into real and nominal, has been made by several of our most eminent economical writers. According to Adam Smith, the real value or price of a commodity is the labour which it will command, while the nominal value is the money for which it will exchange. As this definition of real value is evidently inapplicable to labour itself, he proceeds to say, that the real value or price of labour "may be said to consist in the quantity of the necessaries and conveniences of life which are given for it; its nominal price in the quantity of money *."

Mr. Malthus, in his Principles of Political Economy, has adopted similar, if not precisely the same distinctions. "The most proper de-

* Wealth of Nations, Book i, Chap. v.

finition," he says, "*of real value in exchange, in contradistinction to nominal value in exchange, is the power of commanding the necessaries and conveniences of life, as distinguished from the power of commanding the precious metals**."

Mr. Ricardo also makes a distinction, in the case of labour, between real and nominal value. "Wages," he says, "are to be estimated by their real value, namely, by the quantity of labour and capital employed in producing them, and not by their nominal value, either in coats, hats, money, or corn†."

After the disquisition on the nature of value in the preceding chapter, the distinction of it in this way, into two kinds, must appear to be merely arbitrary, and incapable of being turned to any use. What information is conveyed, or

* Principles of Pol. Econ. p. 62.

† Principles of Pol. Econ. and Taxation, p. 50. He does not, however, confine his idea of real value to the case of labour only.—For a more particular examination of the use which he makes of this term, see the Notes and Illustrations at the end of the present Treatise, Note A.

what advance in argument is effected by telling us, that value estimated in one way is real, but in another nominal? The value of any commodity denoting its relation in exchange to some other commodity, we may speak of it as money-value, corn-value, cloth-value, according to the commodity with which it is compared; and hence there are a thousand different kinds of value, as many kinds of value as there are commodities in existence, and all are equally real and equally nominal. We gain nothing in perspicuity or precision by the use of these latter terms, but, on the contrary, they entail upon us a heavy incumbrance of vagueness and ambiguity and unproductive discussion.

Of the latter we have a good exemplification in the Templars' Dialogues on Political Economy, dialogue the fourth, which contains much ingenious reasoning, founded altogether on this distinction. It would not probably have been written, however, had the author attended to the simple fact, that value must always imply value in something, and unless that something

is indicated, the word conveys no information. Now as the terms *nominal* and *real* do not denote any thing in this way, they stand in the predicament just mentioned, they convey no precise information, and are liable to engender continual disputes, because their meaning is arbitrarily assumed.

In a subsequent chapter on the value of labour, I shall probably have an opportunity of examining some of the positions of this writer, founded on his doctrine of the real value of wages. At present it will be sufficient to confine ourselves to the value of commodities. Following Mr. Ricardo, he appears entirely to lose sight of the relative nature of value, and, as I have remarked in the preceding chapter, to consider it as something positive and absolute; so that if there were only two commodities in the world, and they should both from some circumstances or other come to be produced by double the usual quantity of labour, they would both rise in real value, although their relation to each other would be undisturbed. According to this doctrine, every

thing might at once become more valuable, by requiring at once more labour for its production, a position utterly at variance with the truth, that value denotes the relation in which commodities stand to each other as articles of exchange. Real value, in a word, is on this theory considered as being the independent result of labour; and consequently, if under any circumstances the quantity of labour is increased, the real value is increased. Hence the paradox, "that it is possible for A continually to increase in value—in *real* value observe—and yet command a continually decreasing quantity of B*:" and this although they were the only commodities in existence. For it must not be supposed that the author means, that A might increase in value in relation to a third commodity C, while it commanded a decreasing quantity of B—a proposition which is too self-evident to be insisted on; but he means that A might in-

* Templars' Dialogues, in London Magazine for May, 1824, p. 551.

crease in a kind of value called *real*, which has no reference to any other commodity whatever *.

Apply to the position of this author the rule recommended in the last chapter: inquire, when he speaks of value, value in what? and all the possible truth on the subject appears in its naked simplicity. The touch of this talisman will show, that the paradox above quoted,

* Unless it be to an imaginary commodity, to which, in assertions of this kind, there seems to be a latent reference; a commodity namely, always produced by the same labour. It is no matter, on this theory, whether such a commodity exists or not. An object A is tried by this ideal standard, and if it is found that it would have risen in relation to it, had the standard existed, A is pronounced to have risen in real value—so that any one in a jocular mood might be tempted to define real value, "value estimated by a standard which has only an imaginary existence." Nor is the reference to such a standard always a merely tacit or latent one. Mr. Ricardo assigns as a reason for calling an alteration in wages a fall, that it would appear to be a fall if the value of labour were estimated in an hypothetical standard of this kind.

and which is asserted by its author to be "true in such a way and degree, as to oblige him who denies it to maintain an absurdity," is either a palpable contradiction in terms, or a mere truism scarcely worth a word of illustration, much less that display of logical dexterity which he has exhibited in its support. Since value must be value in something, or in relation to something, if there is any meaning at all in the proposition, "that it is possible for A continually to increase in value, and yet command a continually decreasing quantity of B," it must be either, (1) that A may increase in value in relation to B, and yet command a continually decreasing quantity of this very B; or (2) that A may continually increase in value in relation to other commodities, or what amounts to the same thing, to a third commodity C, while the said A commands a continually decreasing quantity of B. These are the only possible interpretations which can be given of the proposition, according to the received definition of value. Now in the first sense, the proposition is palpably absurd.

if tried by the principle laid down in our last chapter, "that a rise in the value of a commodity means, that an equal quantity of it exchanges for a greater quantity than before, of the commodity in relation to which it is said to rise." To maintain, therefore, that A increases in value to B, and at the same time that it commands a smaller quantity of B, is to affirm a rise and fall in A at the same moment.

In the second sense the proposition, as I have already remarked, is too self-evident to require any proof; and as the author of the Dialogues has expended so much labour and dialectical skill in explaining and supporting it, we might fairly infer that this is not the sense in which he meant it to be interpreted, even if he had not put the matter beyond dispute by his doctrine, so frequently and strongly expressed, "that there is no necessary connection at all, or of any kind, between the quantity commanded and the value commanding *."

The eminent writers on whose doctrines I

* Ibid., p. 552.

have hazarded the preceding observations, agree in defining value to be the power of an object to purchase or command other objects in exchange. Adhering to this definition, it is difficult to conceive what propriety they could have discerned in their use of the words real and nominal. A real power of purchasing implies, if it means any thing, that it is not a false or pretended power; while the counter phrase, a nominal power of purchasing, intimates that the power is only in name; that it is not what it professes to be. But the applicability of these epithets can have no dependence on the nature of the commodities in relation to which the power is possessed, nor on the causes affecting the production of the commodity in which the power resides. According to all proper usage, the epithets refer not to any thing in the power itself, but to the quality of the affirmation that the power exists, characterizing that affirmation as true or false.

CHAPTER III.

ON THE VALUE OF LABOUR.

UNLESS we change the meaning of value in the case of labour from that which it bears when applied to any thing else, the value of labour must signify the power of commanding other things in exchange. The term in reference to labour, as in all other cases, denotes a relation, and the relation, in this instance, must be between labour and commodities. Labour, therefore, is high in value when it commands a large, and low when it commands a small quantity of commodities; and when labour is said to rise or fall in value, the expression implies, that a definite portion of it, a day's labonr for example, exchanges for a larger or a smaller quantity of commodities than before. This is

obviously the only interpretation of which the terms rise and fall of labour admit, consistently with the definition of value.

Before proceeding to apply these positions to the current doctrines of the day, it will be necessary to call the reader's attention to a comparison of the terms "value of labour," and "wages," and to the way in which they are employed. The value of labour, as we have just seen, signifies the relation in which labour stands to commodities. The term wages has the same meaning—for we may say indifferently the wages of labour are three shillings a day, or the value of labour is three shillings a day; but it is often employed with greater laxity of signification.

Mr. Ricardo, for example, talks of "the labour and capital employed in producing wages," and of "the real value of wages*;" in which instances it is impossible to substitute

* "Wages are to be estimated by their real value, *viz.* by the quantity of labour and capital employed in producing them." Pol. Econ., p. 50.

the term value of labour instead of wages, as might be done if the two expressions were used as synonymous and equivalent. We could not speak with propriety of "the labour and capital employed in producing the value of labour," or of "the real value of the value of labour."

The term wages, when thus used, appears intended to denote the commodities or money given to the labourer in exchange for his labour—not the value of his labour in money, but the money itself. This is either an unwarrantable use of the term, or there is a double meaning in it as I think a little consideration will show, although the distinction, which I shall attempt to make, may seem on a first glance to be a distinction without a difference. It will be acknowledged, that the value of labour can be expressed only by the quantity of some commodity given for a definite portion of it. Thus, if silver is that commodity, the value of a day's labour is expressed by the quantity of silver, or, what is the same thing, the number of shillings which

the labourer receives. This quantity of silver expresses the value of his labour, in the same way that a certain quantity of silver expresses the value of a yard of cloth. Now the quantity of silver by which the value of a yard of cloth is expressed, we term the price of the cloth, and, in a manner strictly analogous, the quantity of silver by which the value of a day's labour is expressed, we term the wages of labour. The price of cloth and the wages of labour are so far exactly correspondent expressions. But when I speak of the price of cloth as the subject of causation or change, I do not intend the silver itself. The price of the cloth may be twenty shillings, but what causes the price is not what causes that quantity of silver. To consider the price as being or consisting in the actual silver itself, is an error of the same kind as to consider the length of a piece of timber as consisting in the instrument which we employ to measure it. Were I to speak of the real value of the price of cloth, or of the labour and capital employed in producing the price of

cloth, I should be thought to make use of strange language. Could any meaning be attached to the latter expression, it would be the labour and capital employed in producing the cloth itself, and not in producing the silver in which I expressed the value of the cloth. The same remarks must equally apply to the use of the term wages, if it has only one meaning. If I speak of the labour and capital employed in producing wages, it is in this case equivalent to speaking of the labour and capital employed in producing labour itself, and not in producing the silver or any other commodity given for labour. Mr. Ricardo, however, by this phraseology, evidently means the labour and capital employed in the production of the money, or of the commodities in which the value of labour is expressed—a singular perversion of terms, arising probably from an unconscious identification of two distinct ideas; or, if it is not a perversion of terms, there are evidently two senses in which the same word is used.

Hence Mr. Ricardo, ingeniously enough,

avoids a difficulty, which, on a first view, threatens to encumber his doctrine, that value depends on the quantity of labour employed in production. If this principle is rigidly adhered to, it follows, that the value of labour depends on the quantity of labour employed in producing it—which is evidently absurd. By a dexterous turn, therefore, Mr. Ricardo makes the value of labour depend on the quantity of labour required to produce wages, or, to give him the benefit of his own language, he maintains, that the value of labour is *to be estimated* by the quantity of labour required to produce wages, by which he means, the quantity of labour required to produce the money or commodities given to the labourer. This is similar to saying, that the value of cloth is to be estimated, not by the quantity of labour bestowed on its production, but by the quantity of labour bestowed on the production of the silver, for which the cloth is exchanged.

From the preceding observations it appears,

that either the term wages has two meanings, or it has been used with improper laxity. In order to avoid any ambiguity which might arise from it, I shall in general employ in its stead the expression, value of labour, by which, in consonance with the usual definition of value, I mean the power which a definite portion of labour possesses, of commanding in exchange any other commodity compared with it.

It has been already stated, that when labour is said to rise or fall in value, the expression implies, that a definite portion of it exchanges for a larger or smaller quantity of some commodity or commodities than it did before. This however is not the view taken by Mr. Ricardo of the value of labour; for he enters into various details to show, that although the labourer might receive more commodities in exchange for his labour, yet the value of his labour, notwithstanding, might have fallen.

"It is not," says he, "by the absolute quantity of produce obtained by either class, that

we can correctly judge of the rate of profit, rent, and wages, but by the quantity of labour required to obtain that produce. By improvements in machinery and agriculture, the whole produce may be doubled; but if wages, rent, and profit be also doubled, these three will bear the same proportions to one another as before, and neither could be said to have relatively varied. But if wages partook not of the whole of this increase; if they, instead of being doubled, were only increased one half; if rent, instead of being doubled, were only increased three-fourths, and the remaining increase went to profit, it would, I apprehend, be correct for me to say, that rent and wages had fallen while profits had risen; for if we had an invariable standard by which to measure the value of this produce, we should find that a less value had fallen to the class of labourers and landlords, and a greater to the class of capitalists, than had been given before. We might find, for example, that though the absolute quantity of commodities had been doubled, they were the

produce of precisely the former quantity of labour. Of every hundred hats, coats, and quarters of corn produced, if

The labourers had before	25
The landlords	25
And the capitalists	50
	100

And if, after these commodities were double the quantity, of every 100

The labourers had only	22
The landlords	22
And the capitalists	56
	100

In that case I should say, that wages and rent had fallen, and profits risen; though, in consequence of the abundance of commodities, the quantity paid to the labourer and landlord would have increased in the proportion of 25 to 44. Wages are to be estimated by their real value, *viz.* by the quantity of labour and

capital employed in producing them, and not by their nominal value, either in coats, hats, money, or corn. Under the circumstances I have just supposed, commodities would have fallen to half their former value, and if money had not varied, to half their former price also. If then in this medium, which had not varied in value, the wages of the labourer should be found to have fallen, it will not the less be a real fall, because they might furnish him with a greater quantity of cheap commodities than his former wages*."

In this passage may be noted several of those errors on which I have already animadverted in the preceding chapters. In one part he supposes the possibility of an invariable standard of value amidst universal fluctuation, a supposition which has been shown to involve contradictory conditions: in another part, he makes the unmeaning distinction of real and nominal value, and in another he asserts, that if *all* commodities were produced in double quantity

* Principles of Pol. Econ. and Taxation, p. 49, third edit.

by the same labour, they would fall to half their former value, the correctness of which will be hereafter examined in the chapter on the methods of estimating value.

The error, however, which it belongs to the purpose of the present chapter to point out, is a departure from his own definition of value. Instead of regarding labour as rising or falling according as it commands a greater or smaller quantity of the commodities exchanged for it, which is a direct corollary from the definition of value as the power of purchasing or commanding other objects in exchange, he represents it as rising or falling only when a larger or smaller *proportion* of the commodity produced goes to the labourer. This variation in the proportion of the product is undoubtedly one source of variation in the value of labour, but it is not the sole source. As value, when applied to labour, denotes its relation to other things, that value must vary, not only from causes which affect labour, but from causes which affect the commodities received in exchange for it. To take Mr. Ricardo's own

case in the preceding extract. He says, that if by improvements in machinery and agriculture, the whole produce of a country were doubled, while the quantity of labour employed continued the same, and if before this increase of produce, of every hundred hats, coats, and quarters of corn, the labourer received 25, and after the increase only 22, then wages would have fallen, although the labourer actually received 44, where he before received only 25. But if by a fall of wages is meant a fall in the value of labour; if, further, by value we mean the power of commanding other things in exchange, and if the degrees of that power are in proportion to the quantity commanded, then it is evident, that so far from wages falling they would have risen, inasmuch as a definite portion of labour would command in exchange an increased quantity of hats, coats, and corn.

I have said, that an alteration in the proportion of the product assigned to the labourer is one cause of variation in the value of labour: for it is manifest, that if out of a fixed quantity of hats, coats, and corn, the labourer receives

at one time a quarter, and at another time half, his labour at the latter period will be doubled in value in relation to these commodities. Mr. Ricardo's error, it deserves to be repeated, lies in considering this change in the proportion to be the only cause of change, or rather the only *case* of change in the value of labour*.

* Mr. Ricardo's inference is a legitimate deduction from his premises, if we concede certain postulates. Grant him the kind of value called *real*, which has no relation to the quantity of commodities commanded, but solely to the quantity of producing labour, and it inevitably follows, that there could be no alteration in the *real* value of labour, but from an alteration in the proportion of the product which went to the labourer. Neither, if money were always produced by a uniform quantity of labour, could there be any other alteration in the money-value of labour. But to say in this case, that although the labourer obtained a larger quantity of hats, coats, and corn, yet if he obtained less money, the value of his labour would have fallen, is altogether nugatory. Money-value has no greater claim to the general term "*value*," than any other kind of value; and the simple state of the case would be, that labour had risen in value in relation to hats, coats, and corn, and fallen in relation to money. As to real value, the last chapter has shown that it is a nonentity.

His assertion in another place, that "the labourer is only paid a really high price for his labour, when his wages will purchase the produce of a great deal of labour*," is only another mode of stating the same doctrine, and amounts to this, that wages are high only when a great proportion of the article produced falls to the labourer. For wages at the same period being on a level in the different branches of industry, if a man's wages (to use Mr. Ricardo's language) will purchase the produce of a great deal of labour, they will purchase the produce of a great deal of any sort of labour, consequently the produce of a great deal of his own labour, that is, the proportion falling to him of the produce of his own labour will be great.

The author of the Templars' Dialogues, who pushes Mr. Ricardo's doctrines to their remotest consequences, and thus, if they are untrue, necessarily exposes their incorrectness by

* Principles of Pol. Econ. and Taxation, p. 322, 3d ed.

the paradoxes into which he falls, has not failed to drive this doctrine of the value of labour to an extravagant result. "Wages," says he, "are at a high real value, when it requires much labour to produce wages; and at a low real value, when it requires little labour to produce wages: and it is perfectly consistent with the high real value—that the labourer should be almost starving; and perfectly consistent with the low real value—that the labourer should be living in great ease and comfort*."

Well might the author's friend Philoebus exclaim at this extraordinary passage, "this may be true: but you must allow, that it sounds extravagant."

Let us examine it by the test before given: let us ask, value in what? If the labourer is starving, in relation to what is his labour of high value? In relation to corn? If so, he would obtain a large quantity of corn in ex-

* London Magazine for May 1824, p. 557.

change for his labour, and could not starve. It will be replied, perhaps, that corn is high too, and therefore, although labour is high, the labourer obtains little corn. But if corn and labour are both affirmed to be high, the assertion must mean, that they are high in relation to other commodities, as it is an absurdity to say, that they are both at once high in relation to each other. If therefore the labourer obtains little corn, labour must be low in relation to corn.

The same result will be obtained if the definition of value is substituted for the term. The author's proposition then would be, "it is perfectly consistent with a great power of commanding commodities in exchange for his labour, that the labourer should be almost starving, and perfectly consistent with a small power, that the labourer should be living in great ease and comfort." This is asserting power to be in an inverse ratio to the effects produced *.

* See Note B.

CHAPTER IV.

ON PROFITS.

In the last chapter I endeavoured to explain the true meaning of the value of labour, and to show, that a rise or fall of labour implies an increase or decrease in the quantity of the commodity given in exchange for it.

A rise or fall of profits is sometimes spoken of as analogous to a rise or fall of labour or of wages. But profits cannot be regarded as analogous to wages. Labour is an exchangeable thing, or one which commands other things in exchange; but the term profits denotes only a share or proportion of commodities, not an article which can be exchanged against other articles. When we ask whether

wages have risen, we mean, whether a definite portion of labour exchanges for a greater quantity of other things than before; but when we ask whether profits have risen, we do *not* mean whether a definite portion of some article called profits will exchange for a greater quantity of other things than before, but whether the gain of the capitalist bears a higher ratio to the capital employed.

Mr. Ricardo appears to have considered wages, or the value of labour, and profits as equally shares or proportions of the commodity produced, and hence his doctrine, that as wages rise, or, in other words, the value of labour rises, profits must fall. "Whatever," he says, "increases wages, necessarily reduces profits;" and again, "nothing can affect profits but a rise in wages."

It has been shown, however, in the last chapter, that wages, or the value of labour, and profits may both rise together, because the value of labour does not entirely depend on the proportion of the whole produce, which is given to the labourers in exchange for their

labour, but also on the productiveness of the labour; because, in fact, a rise of profits and a rise in labour are essentially distinct in their nature, the one signifying an increase of proportion, the other an increase in the quantity which a definite portion of labour will command.

The proposition, that when labour rises profits must fall, is true only when its rise is not owing to an increase in its productive powers. If labour rises while these productive powers remain the same, profits will inevitably fall. This may be easily proved from the principles already advanced; for if labour rises in value, whoever purchases labour must give a greater quantity of other things for it, and as the capitalist purchases labour, he must pay more for it. It will be said, perhaps, that he may raise the value of his goods, that is, he may require a greater quantity of other commodities than before, in exchange for his own. But the capitalist who produces these other commodities is in the same predicament, and they cannot both raise their goods. If A raises the value of

his cloth, sells it at an advanced price, and purchases corn, or exchanges it directly for corn, the result is, that he gets more corn for the same quantity of cloth than he did before. If B the grower of corn does the same with his produce, he gets more cloth. But A cannot obtain from B more corn for the same quantity of cloth, at the same time that B obtains from A more cloth for the same quantity of corn. Consequently the value of goods cannot rise. Moreover, if all commodities rise, they must rise in relation to something, and as it is manifestly absurd that all commodities should at once rise in relation to each other, this something must be labour. But, by the supposition, labour itself rises in relation to all commodities; whence it is a contradiction to maintain, that a universal rise in the value of labour can increase the value of commodities.

It may be necessary to repeat the qualification with which the doctrine, that if labour rise in value profits must fall, is to be received. It is true only when the productive power

of labour continues the same, for if this productive power be augmented, that is, if the same labour produce more commodities in the same time, labour may rise in value without a fall, nay even with a rise of profits. This has been already shown in treating of the possibility of labour rising, although the proportion of the produce assigned to the labourer were diminished. In the case there stated it is supposed, that the whole produce of a country becomes doubled, while the quantity of labour remains the same; and that of every 100 hats, coats, and quarters of corn, the labourer before the increase received 25, and after the increase 22, so that at the latter period he would receive 44 for the same quantity of labour which before obtained 25. The capitalist for his share, before the increase, is supposed to receive 50 per cent., and after the increase 56 per cent., making 112, where he before obtained only 50. In this case, while the value of labour in relation to hats, coats, and corn, is evidently increased, that is, while a definite portion of labour ex-

changes for a larger quantity of those articles, the proportion assigned to the capitalist, or the rate of profits, is also augmented.

It may be asked, whether not only the proportion is raised, but the value of the same proportion? If the capitalist, for instance, receive 100 hats, coats, and quarters of corn at the latter period for every 50 at the former, would not the value of his profits have risen, although the proportion were left undisturbed?

A question whether the value of profits has risen, can have only one of three meanings: 1. Whether the proportion of the produce obtained by the capitalist has increased? 2. Whether the aggregate value of his share is greater, estimated in some of the commodities produced? 3. Whether the aggregate value has risen, estimated in labour?

1. The inquiry which I have supposed to be made, cannot be in the first sense, because one of the conditions is that the proportion remains the same.

2. If it be intended to ask whether he

value of the share has risen, estimated in any of the articles produced, the value of profits has undoubtedly risen. Suppose, for instance, the value to be estimated in quarters of corn, and that at the first period the whole share of the capitalist was an aggregate of 1000 coats, hats, and quarters of corn*; and suppose further a quarter of corn to exchange for a coat or a hat, then his share estimated in corn would be worth 1000 quarters of corn; but after the produce was doubled, his share would be an aggregate of 2000 coats, hats, and quarters of corn, and would consequently be worth 2000 quarters of corn, or double its former value in corn.

3. If it is meant to inquire whether, when the product of labour was doubled, the profits of the capitalist would rise in their aggregate value estimated in labour, the reply is, evidently not. For as the labourer, by the supposition, obtains double the former quantity of commodities, double the quantity of commodities must be given for the same quantity of labour, and of

* See Chapter viii, on the Methods of Estimating Value.

course the share of the capitalist would command only the same labour as before. There could be a change in the value of profits estimated in labour only from an alteration in the proportions assigned to the capitalist and labourers. This is easily shown. Whatever the produce of the labour of six men might be, whether 100 or 200 or 300 quarters of corn, yet so long as the proportion of the capitalist was one fourth of the produce, that fourth part estimated in labour would be invariably the same. Were the produce 100 quarters, then, as 75 quarters would be given to 6 men, the 25 accruing to the capitalist would command the labour of 2 men: if the produce were 300 quarters, the 6 men would obtain 225 quarters, and the 75 falling to the capitalist would still command 2 men and no more. Thus a rise in the proportion which went to the capitalist would be the same as an increase of the value of profits estimated in labour, or, in other words, an increase in their power of commanding labour.

Should it be objected to the doctrine of profits and the value of labour rising at the same time, that as the commodity produced is the only source whence the capitalist and the labourer can obtain their remuneration, it necessarily follows that what one gains the other loses, the reply is obvious. So long as the product continues the same, this is undeniably true; but it is equally undeniable, that if the product be doubled the portion of both may be increased, although the proportion of one is lessened and that of the other augmented. Now it is an increase in the *portion* of the product assigned to the labourer which constitutes a rise in the value of his labour; but it is an increase in the *proportion* assigned to the capitalist which constitutes a rise in his profits; whence it clearly follows, that there is nothing inconsistent in the supposition of a simultaneous rise in both*.

* See Note C.

CHAPTER V.

ON COMPARING COMMODITIES AT DIFFERENT PERIODS.

PERHAPS no part of their investigations has perplexed political economists more than their attempts to compare the value of the same object at different periods of time.

It is a direct inference from the explanation of value in the preceding chapters, as denoting a relation between two commodities, a relation incapable of existing when there is only one commodity, that it cannot exist between a commodity at one period and the same commodity at another period. We cannot ascertain the relation of cloth at one time to cloth at another, as we can ascertain the relation of cloth to corn in the present day. All

that we can do is to compare the relation in which cloth stood at each period to some other commodity. When we say, that an article in a former age was of a certain value, we mean, that it exchanged for a certain quantity of some other commodity. But this is an inapplicable expression in speaking of only one commodity at two different periods. We cannot say, that a pair of stockings in James the First's reign would exchange for six pair in our own day; and we therefore cannot say, that a pair in James the First's reign was equal in value to six pair now, without reference to some other article.

Value is a relation between contemporary commodities, because such only admit of being exchanged for each other; and if we compare the value of a commodity at one time with its value at another, it is only a comparison of the relation in which it stood at these different times to some other commodity. It is not a comparison of some intrinsic, independent quality at one period, with the same quality at

another period; but a comparison of ratios, or a comparison of the relative quantities in which commodities exchanged for each other at two different epochs. If a commodity of in the year 100 was worth 2 B, and in 1800 was worth 4 B, we should say that A had doubled its value to B. But this, which is the only kind of comparison we can institute, would not give us any relation between A in 100 and A in 1800; it would be simply a comparison of the relation between A and B in each of those years.

It is impossible for a direct relation of value to exist between A in 100 and A in 1800, just as it is impossible for the relation of distance to exist between the sun at the former period and the sun at the latter. This perhaps will be still more apparent if we make use of the definition of value instead of the term. It will at once be seen how absurd it would be to talk of the power of A in the year 100, to command in exchange the same commodity in 1800.

It may, perhaps, be alleged, that I am here fighting with a mere shadow of my own crea-

tion; for that nobody ever imagined the possibility of comparing the value of any commodity at one period with its value at another, without reference to some other object, the bare notion of such a comparison being absurd, and scarcely susceptible of being stated in intelligible language; and further, that when the value of a commodity in one year is compared with its value in another, the very terms necessarily imply a reference to other articles, and are always so considered.

A slight inspection, however, of our principal writers will prove, that if I am fighting with a shadow, which I by no means deny, it is not one of my own creation. When Mr. Ricardo tells us, that a commodity always produced by the same labour is of invariable value, he implicitly maintains all I have been attempting to disprove. By the epithet invariable he clearly means, that its value at one time will be precisely the same as its value at another, not in relation to other commodities, for he supposes all other commodities to vary, but in relation to

itself. He distinctly states, that if equal quantities of gold could always be obtained by equal quantities of labour, the value of gold "would be invariable, and it would be eminently well calculated to measure the varying value of *all other things*," whence it follows, that this invariableness must be intended to be affirmed of the value of gold compared with itself, and not of any relation between gold and some other commodity.

The same remarks apply to all attempts to find out something of invariable value. Adam Smith and Mr. Malthus, in considering labour alone as never varying in its own value, assert by implication, that labour at one period may be compared in value with labour at another period, without reference to any other thing whatever*. I fully concede that such a notion

* For further instances see Wealth of Nations, Book i, Chap. v, and Mr. Malthus's Pamphlet on the Measure of Value, p. 24 and 25. When we come to treat on the measurement of value, we shall find this notion at the bottom of some important errors on that subject.

involves an absurdity,—that they might have talked with equal propriety of the possibility of comparing the distance of the sun in the year 100 with its distance in 1800, without reference to any other body in space—and that language can scarcely be found to express the idea in direct terms, without a palpable contradiction: but that such a notion has extensively prevailed no one will doubt, who attentively turns over the pages of the first writers on the subject.

The following passage from the Templars' Dialogues on Political Economy, is a conspicuous instance of the error in question.

"I wish to know," says he, "whether a day's labour at the time of the English Revolution bore the same value as a hundred years after, at the time of the French Revolution, and if not the same value, whether a higher or a lower. For this purpose, if I believe that there is any commodity which is immutable in value, I shall naturally compare a day's labour with that commodity at each period. Some for instance

have imagined, that corn is of invariable value, and supposing me to adopt so false a notion, I should merely have to inquire what quantity of corn a day's labour would exchange for at each period, and I should then have determined the relations of value between labour at the two periods *."

It scarcely needs pointing out, after the explanation I have given, that no relation of value could exist between labour at these two periods: the only point to be ascertained would be, whether the same or a different relation existed at both periods, between corn and labour, and this would be equally well ascertained, without supposing the condition of corn being immutable in value. This very supposition implies, either that the fact which it is wished to ascertain is already ascertained, or, that the value of corn at one period may be compared with the value of corn at another period, with no reference to any other commodity in the world.

* Dialogue v, London Magazine for May, p. 558.

Many errors appear to have arisen from this inattention to the real nature of a comparison of objects at different periods in regard to their value.

Much indistinctness has also proceeded from blending the comparison of contemporary commodities with that of the same commodity at different times, particularly when writers have been speaking of the comparative quantity, or the comparative value of the labour concerned in the production of commodities. It is not always clear to their readers, nor does it seem to have been clearer to themselves, whether they intended to compare the same commodity, as to the producing labour, at separate periods, or different commodities at the same period. There appears to me to be considerable confusion in this respect in Mr. Ricardo's first section on value; a confusion which is probably one of the latent causes of the obscurity felt by many to hang over that section, and which, if I mistake not, is perceptible in the very sentence which forms its title.

"The value of a commodity," says he, "or the quantity of any other commodity for which it will exchange, depends on the relative quantity of labour which is necessary for its production, and not on the greater or less compensation which is paid for that labour."

In the first part of this sentence he appears to be speaking of contemporary commodities, but in the latter clause he has changed his ground: it does not form a proper logical counterpart to the former: there is, I think, an implied although an unconscious reference to the same commodity at different periods. For if not, if he is speaking in the latter clause also of contemporary commodities, the amount of the proposition would be this:—

"The values of two contemporary commodities, A and B, are to each other as the quantities of labour necessary to their production, and they are *not* to each other as the *values* of the labour employed in their production." But if commodities are to each other as the quantities, they must also be to each other as the

values of the producing labour; for the contrary would necessarily imply, that the two commodities A and B might be equal in value, although the value of the labour employed in one was greater or less than the value of the labour employed in the other; or that A and B might be unequal in value, if the labour employed in each was equal in value. But this difference in the value of two commodities, which were produced by labour of equal value, would be inconsistent with the acknowledged equality of profits, which Mr. Ricardo maintains in common with other writers *.

It is probable, therefore, that this was not Mr. Ricardo's meaning, but that he unconsciously confounded this proposition with another, and really intended to say, that the value of A at two different periods, No. 1 and 2, was

* In this chapter we are assuming, for the sake of argument, the truth of the doctrine, that commodities are to each other in value, as the quantities of labour respectively employed in their production. It will form a subject of examination hereafter.

not proportioned to the value of the labour necessary to its production at each period; that although, for example, the value of the labour were doubled at the latter period, the value of the commodity might not be affected. The proposition expressed more simply is, that the value of a commodity and the value of the labour employed in its production, do not bear to each other a constant ratio; or more simply still, that labour may rise and fall in value without affecting the value of the commodity.

This is obviously a very different proposition from the other, and depends in fact on the falsity of the other, or on the contrary proposition, "that the values of two contemporary commodities *are* to each other as the values of the labour employed in producing them." For as value must be value in something, let us ask, in relation to what object might the value of A at period No. 2 be, as here asserted, the same as its value at period No. 1, although the value of the producing labour were doubled? In re-

lation to other commodities. And why? Because the rise in labour would be the same in all commodities; but if the values of commodities are to each other as the values of the labour employed in producing them, and if the labour employed in all commodities rose in equal proportion, there could not possibly be any disturbance of the relations existing between all commodities before the rise, and of course A would be of the same value at period No. 2 as at period No. 1.

The only alteration in this instance would be, an alteration in the relation of value between labour and commodities. It would be a simple case of a rise in labour, and (proceeding on the assumption that commodities are determined in value solely by the quantity of labour) the whole amount of the proposition is this, that the values of commodities in relation to each other are not disturbed by an alteration in their values in relation to labour; which is only a particular application of the more general pro-

position, that when one commodity or thing alters its value in relation to other commodities, the mutual relations of these other commodities, *cæteris paribus*, are not thereby affected *.

The reader will notice, that in supposing that while the value of the producing labour was doubled, the commodity remained the same, I have used the expression, "the value of the commodity *might not* be affected," for this reason, that whether it was or was not affected, would depend on the nature of the cause by which the value of the labour was doubled. In the proposition, the values of A and B are to each other as the values of their producing labour, the value of labour means aggregate value. Now the aggregate value of the labour necessary for the production of a commodity may be increased in two ways, either by an augmentation of the quantity of the labour at

* It may be necessary perhaps to state, that by the qualification *cæteris paribus*, it is meant to restrict the proposition to cases in which the altered commodity either does not enter at all into the composition of other commodities, or enters into them in the same proportion.

the same rate, or by a rise in the rate, that is in the value of a definite portion of it, while the quantity remains the same. It is only in the latter event (which is the one I have supposed to take place) that the value of the commodity would in general continue the same in relation to other commodities, for the precise reason already assigned, that all commodities would be affected in equal proportions. It would be a positive not a comparative rise in the value of the producing labour of the commodity in question; while on the other hand, should the increase in the value have arisen from an augmentation in the quantity of labour, such increase would be probably, although not necessarily comparative.

As the misconception on the part of Mr. Ricardo here noticed is a fundamental one, I make no apology for presenting the reader with a further attempt to show it. The confusion in the proposition will be more apparent by a little alteration in the language.

"The value of a commodity A, or the quan-

tity of any other commodity B, for which it will exchange, depends on the comparative quantities of labour necessary for the production of A and B." So far there is no obscurity, and the position can be construed only in one sense. When Mr. Ricardo, however, adds, "and not on the greater or less compensation which is paid for that labour," every one must be sensible of a confusion of ideas. In the former clause he is telling us on what circumstance the mutual value of A and B depends, or, in other words, what circumstance determines the quantities in which these two commodities are exchanged for each other; in the latter clause it was evidently his business, as it was his design, to tell us on what the mutual value of A and B did *not* depend; or, in other words, what circumstance did *not* determine the quantities in which these commodities are exchanged for each other. Now the only circumstance assigned is obviously "the compensation paid for the labour," and the proposition really asserted in this latter clause is, that the mutual value

of A and B does not depend on the compensation paid for the producing labour of A being equal to, or greater, or less than the compensation paid for the producing labour of B: so that this compensation might be equal in the two cases, while the quantities in which A and B were exchanged for each other were unequal.

As far, however, as any thing can be gathered from the confusion of thought and language in Mr. Ricardo's opening section, this is not what he intended to assert. In the first clause he was comparing A and B, and asserting the cause which determined the relation between them; but dropping B by the way, in this latter clause he is speaking of A alone. By quantity of labour in the first clause, he meant quantity of labour necessary to produce A, compared with the quantity of labour necessary to produce B; but by compensation of labour in the latter clause, he does not intend the compensation of labour in A compared to the compensation of labour in B, but the compensation paid for the labour required to produce A at

one time, compared with the compensation paid for the producing labour of A at another time. Hence Mr. Ricardo's sentence is a completely false antithesis.

The author of the Templars' Dialogues on Political Economy seems to have followed Mr. Ricardo in confounding the two distinct propositions above pointed out. This appears the more extraordinary, since he has laid down the first proposition (which I have supposed Mr. Ricardo did not clearly perceive to be involved in the terms employed) in such bold and unmeasured language, as almost to preclude the possibility of its being mistaken either by himself or his readers for any other.

After telling us, that "Mr. Ricardo's doctrine is, that A and B are to each other in value as the quantity of labour is which produces A to the quantity which produces B," he says, "I assert in the most peremptory manner, that he who says, 'the value of A is to the value of B, as the quantity of labour producing A is to the quantity of labour producing B,' does of

necessity deny by implication, that the relations of value between A and B are governed by the value of the labour which severally produces them." Again, "so far are the two *formulæ* from presenting merely two different expressions of the same law, that the very best way of expressing negatively Mr. Ricardo's law (*viz.* A is to B in value as the quantities of the producing labour) would be to say, A is *not* to B in value as the *values* of the producing labour*."

Let us examine the reasoning employed to support this extraordinary assertion. It is too long to be introduced here, but it amounts to this, that when the producing labour is increased in *quantity*, the commodity produced is increased in value; but when the producing labour is increased in *value*, the value of the commodity produced remains unaltered; and therefore the values of commodities are not to each other as the *values* of the producing la-

* London Magazine for April, p. 348.

bour. For instance, if A and B were each produced by six days' labour, they would be equal in value; but if A should from some cause or other require 12 days' labour, then the value of A would be to the value of B as 12 to 6. But suppose that A in 1810 required six days' labour at 4*s*., making 24*s*., and in 1811, 6 days at 6*s*., making 36*s*., if the value of the commodity was 40*s*. at the former period, it would still be 40*s*. at the latter. And suppose that B in 1810 required 3 days' labour at 4*s*., making 12*s*., and in 1811, 3 days' labour at 6*s*., making 18*s*., the value of the commodity at each period would be 20*s*.

Now this author's argument is, that because A and B at these two periods do not vary in value with the varying value of labour, therefore they are not to each other in value as the values of the producing labour. But it is evident that 40*s*., the value of A in 1810, is to 20*s*., the value of B at the same period, as 24*s*., the value of the producing labour in A, is to 12*s*., the value of

the labour in B; and again in 1811, 40*s*. is to 20*s*., the values of the commodities, as 36*s*. to 18*s*., the values of the labour.

The author appears to me to have vacillated unconsciously between two essentially distinct propositions. He has begun (not an uncommon case) by proposing one as the object of his attack, and ended by contending with the other.

This will be seen at a glance when they are placed together.

1. A and B are to each other in value as the values of the producing labour.

2. The value of A at one period is to the value of the producing labour, as the value of A at another period is to the value of the producing labour; or, to conform the expression of it to the preceding instance, the value of A in 1810, 40*s*., is to the value of the labour at that period, 24*s*., as the value of A in 1811, 40*s*., to the value of the producing labour in the same year, 36*s*., which is manifestly ab-

surd; but I lie under a great mistake, if it is not really the proposition which X Y Z * has been attacking, while he supposed himself to be in logical combat with the first.

It is difficult to imagine how an error of this kind (if I am right in supposing it to be one) should have escaped a mind evidently well versed in the detection of ambiguities in argumentation. It appears to have arisen, as in the case of Mr. Ricardo, from blending the comparison of contemporary commodities with that of the same commodity at different periods, which led them to the erroneous inference, that because the value of A at one period did not bear the same relation to the value of its producing labour as at another period, therefore the values of two contemporary commodities did not bear the same relation to *each other* as the values of the labour respectively bestowed on their production.

* X Y Z is the designation assumed by the Author of the Dialogues.

In this chapter I beg not to be understood as contending, either that the values of commodities are to each other as the *quantities* of labour necessary for their production, or that the values of commodities are to each other as the *values* of the labour: all that I intend to insist upon is, that if the former is true, the latter cannot be false; and I have endeavoured to explain the source of the misconception which has regarded the two propositions as incompatible and contradictory*. The fact is, that the quantity of labour and the value of labour are in the same case. Any alteration in the comparative *quantities* of labour required to produce A and B, would alter their value in relation to each other; and an alteration in their mutual value would equally follow from any change in the comparative *values* of the producing labour,

* Of the two propositions, however, the latter is a much nearer approximation to the truth, for reasons which will be stated in a subsequent chapter on the causes of value.

while the comparative quantities of labour remained the same.

Again, an alteration in the positive quantities of the producing labour in A and B, which left the comparative quantities the same, would not affect the mutual value of these two commodities, any more than an alteration in the positive values of the producing labour, while the same ratio subsisted between those values as before.

CHAPTER VI.

ON MEASURES OF VALUE.

We now come to the consideration of a subject which has made a conspicuous figure in the writings of political economists, and than which, none perhaps has been a greater source of error and confusion; I mean the measurement of value.

Our first inquiry must therefore be directed to the signification of the term. The analogies suggested by the word measure seem to have bewildered almost every auther who has touched on the subject. It has been taken for granted that we measure value, as we measure extension, or ascertain weight; and it has been consequently imagined, that to perform the opera-

tion we must possess an object of invariable value.

Let us examine, therefore, how far measuring value and measuring space are similar operations. In every case of measuring we merely ascertain ratios—the ratio which one thing bears to another. In measuring the length of an object we find what ratio it bears to the length of some other object, or in other words, how many times one is contained in the other. We measure the longitudinal extension of a piece of timber, for example, by a foot-rule; that is, we find how often the length of the latter is contained in the former, and this is effected by the actual application of the rule to the timber. It is a physical operation, by which we obtain the knowledge of a fact before unknown, the ratio of length subsisting between the object and the instrument we employ.

In measuring value, what resemblance to this operation can possibly be discovered? We may place two objects by the side of each other, or apply one to the other in any way we please,

but we shall never be able by such means to discover the relation of value existing between them. We shall never extort from them a single fact with which we were before unacquainted. What then is it possible to do in the way of measuring value? What kind of measurement is intended, when the term is so frequently employed? All that is practicable appears to be simply this: if I know the value of A in relation to B, and the value of B in relation to C, I can tell the value of A and C in relation to each other, and consequently their comparative power in purchasing all other commodities. This is an operation obviously bearing no resemblance at all to the process of measuring length. There is no unknown fact discovered by a physical operation: it is in truth a calculation from certain data, a mere question in arithmetic. It is not, let it be observed, what on a first glance it may appear, like ascertaining the comparative length of two pieces of timber which cannot be brought into juxta-position, by means of a foot rule or other instrument which we apply

first to one and then to the other: it is far from being so much as this: it is merely like calculating the ratio of length between the two pieces of timber, after we are informed how many feet are contained in each. For of each commodity A and C the value in relation to B must be given, or, in other words, their value must be expressed in a common denomination, before their mutual relation can be ascertained; just as in the case supposed the relation of each piece of timber to the foot-rule must be given, before their relation to each other can be deduced. The actual application of the foot rule is that part of the process which is alone entitled to the appellation of measuring, the rest being mere calculation, but to this there is nothing at all analogous in any possible attempt to ascertain value. The way in which the commodity B would be used, in the above instance, is in truth as a medium of comparison, not a measure, yet it is the only process which bears any analogy to measurement.

It appears, therefore, that all we can under-

stand by a measure of value, is some commodity which would serve as a medium to ascertain the relation subsisting between two other commodities, that we had no means of bringing into direct comparison. Thus, if I wished to know the relation in exchange between corn and cloth, and there happened to be no instance of direct barter of one of these commodities for the other, I could acquire the desired information only by ascertaining their relations to a third commodity. Supposing this commodity to be money, if a yard of cloth were worth 10*s*., and a bushel of corn 5*s*., I should learn immediately that a yard of cloth was worth two bushels of corn, and would have an equal power of commanding all other things in exchange, silver in this instance being the commodity employed as a measure. This kind of measure of value, which is merely a medium of comparison, and obviously quite dissimilar to a measure of length, is the only one which it is possible to have; and although money is the measure generally employed, and by far the

most convenient of all, yet any other commodity might answer the purpose.

Such a measure as this, however, has not contented political economists; it is only, they say, a measure of commodities at the same time: they have wished for something to measure the value of commodities at different periods.

Let us see what this amounts to: if it is wished to measure or compare the value of corn and cloth at one period with their value at another period, money will evidently answer the purpose. We have only to inquire the prices of corn and cloth at each period, and we shall then be able to ascertain how they have varied relatively to each other. If, in the year 1600, cloth was 20*s.* a yard, and corn 10*s.* a bushel, and in the year 1800, cloth was 10*s.* and corn 10*s.*, then it would manifestly appear, that in 1600 a yard of cloth would command in exchange or be worth two bushels of corn, and in 1800 only one bushel. Thus by inquiring the prices of the commodities we should ascertain

their variations in value with regard to each other, and money would be the measure of value or medium of comparison which we employed. This is evidently using money for a measure of value in the same manner as in the first case, the only difference being that we apply it to two periods, and make a subsequent comparison of the results obtained from each.

We have therefore not yet arrived at the sense in which the term is employed by economists, who are desirous of measuring the value of commodities at different periods. They do not wish to compare the mutual value of two commodities, or the relation subsisting between two commodities at one period, with the relation subsisting between them at another period, for this would be effected by a simple reference to their prices. They state their object to be, to find some standard commodity by which they might measure the value of the same object A, at two or more different periods, or, in other words, its fluctuations in value.

But in relation to what object is it wished to *measure the value of* A *and its fluctuations?* We cannot speak of value, as I have before shown, without meaning value in something, and as only A and the standard commodity which may be called B are here in question, the value of A must mean its value in B. It is wished therefore to measure the relation between A and B at two different periods by B, which if it has any signification must imply, that it is wished to ascertain the value of A and B relatively to each other at two different periods. These are historical facts, and when we have learned them as we learn other facts, we shall certainly know the fluctuations which the relation between A and B has undergone; but B is, in this procedure, by no means a measure of value, or a medium of comparison, any more than A. In a word, turn the matter as we please, we shall find that we can have no measure of value but in the sense already ex plained.

From this examination it appears, that a

measure of value can mean nothing but a commodity employed as a medium of comparison, and that so far from its being impossible to have any thing perfectly capable of performing this function, we are in the daily use of one possessing all the perfection which it is possible to conceive. In regard to measuring or comparing value, there is no operation which can be intelligibly described or consistently imagined, but may be performed by the *media* of which we are in possession.

It is astonishing, indeed, to find how slight are the analogies with which economists have contented themselves on this subject, and which have served to preclude any close investigation of processes essentially different, although confounded under the same appellation. One of the most striking instances of this carelessness of examination is the notion of its being necessary, that a commodity should possess invariable value, in order to form a perfect measure of value; a notion which has passed unquestioned from one writer to another, and been

adopted without any suspicion of the false analogy and fundamental misconception on which it proceeds *. It is therefore essentially requisite, for a clear understanding of the present subject, to bring this opinion to the test of a close and minute examination.

The utter absurdity, however, of supposing, that a commodity to constitute a measure must be of invariable value, requires no deep research; it lies almost on the surface, and presents itself in numerous different aspects.

Invariable value must signify, as we have repeatedly shown, invariable in relation to some one or more commodities. Suppose A to be the commodity selected as a measure, and that it is invariable in value to B. I have here got an invariable value, but in what way am I to use it in regard to other things? When I have an invariable space, or an unvarying distance between two points, I can apply it mediately or immediately to all other spaces or distances within my reach, and ascertain their

* See Note D.

respective ratios to it: but the invariable relation of value between A and B can tell me nothing of the mutual value of C and D; or, to vary the language, the power which A has to command B, can tell me nothing of that which C has to command D. I do not in any sense measure the relation of value between two commodities, by that existing between two other commodities. Invariable value, therefore, can be of no service. The only meaning to be attached to the phrase measuring value, the only operation implied in it, is, as we have seen, that comparison of the values of two objects which we are enabled to make by their separate relations to a third, or, in other words, by having these values expressed in a common term or denomination. But the capability of expressing the values of commodities has nothing to do with the constancy of their values, either to each other or to the medium employed; neither has the capability of comparing these expressions of value any thing to do with it. Whether A is worth 4 B or 6 B, and whether C is worth 8 B or 12 B, are cir-

cumstances which make no difference in the power of expressing the value of A and C in B, and certainly no difference in the power of comparing the value of A and C when expressed.

This supposition, of the necessity of invariable value in any commodity employed as a measure, proceeds, as I have already remarked, on a false analogy. Because a measure of space must be invariable in its length, a measure of value, it has been argued, must be invariable in its value *. To expose the fallacy of this inference, let us examine in the first place, what are the character and circumstances of that invariableness which is requisite for a measure of length. All that is required ap-

* "As a measure of quantity," says Adam Smith, "such as the natural foot, fathom, or handful, which is continually varying in its own quantity, can never be an accurate measure of the quantity of other things; so a commodity, which is itself continually varying in its own value, can never be an accurate measure of the value of other commodities." Wealth of Nations, Book i, Chap. 5.

pears to be this, that when we measure the length of two objects by a third object, the length of the latter, or the instrument employed, must remain the same until it have been applied to both the objects which are to be measured; or if it vary, it must vary in a known degree. Suppose it is wished to ascertain the relation of length between two trees lying apart from each other on the ground. The only requisite for doing this is a staff, or rod, or any other instrument which shall continue of the same length during the process of measuring. The process over, although the rod might be instantly altered in length, it would be as good a measure as before of the length of these or any other objects: for suppose the measurement to be repeated after this alteration in the instrument, the same relation of length between the two trees would be obtained. But if the rod varied in its length in an unknown degree, between applying it to the first tree and the second, whether this interval was a minute or an age, it is obvious that it

could not serve as a measure of their relative length: there would in that case be no common medium of comparison. It is essential to the discovery of the mutual relation of two objects, which cannot be directly compared, that their respective relations to some third object should be known: but in this case, the ratio which the trees were found to bear would not be to the same object, and therefore nothing could be told as to the ratio of the trees to each other. It is thus indispensable, that the instrument employed as a measure should remain unaltered, or be altered in a known degree, during its successive applications to the objects measured, in order to give us their relations to one common object. By this means we obtain a common term or denomination, in which the lengths of the two trees are expressed. This is, in fact, all that is essential to the end in view: the measurement, that is, the actual application, of the physical instrument to the object, is the means, and the unvarying length of the instrument, or its ascer-

tainable variation during the process, is the necessary condition for obtaining that common expression of the length of the two objects, which will show their relation to each other. But it is obvious that this relation of length would be equally determined in whatever way the common expression was obtained.

Now in the case of value, we obtain this common expression without that physical operation here described. We learn the values of two commodities in relation to the third, not from the application of an instrument, first to one commodity and then to the other, but from intercourse with mankind, or from the inspection of documents in which they are registered. We equally obtain a common expression, but we obtain it by different means. But the invariableness in the length of a measure of space, as above described, is a circumstance belonging to the means employed to obtain a common expression of length; and as the means of obtaining a common expression of value are totally different, as in fact the common expres-

sion is necessarily implied in the supposition of using any commodity as a medium of comparison, there is nothing in the latter case in which invariableness of any kind, or in any sense, can be required. In the one case there is an instrument employed in a physical operation, and it is for the purpose of rendering this instrument capable of performing its function, that invariableness is indispensably necessary: in the other case there is no instrument so employed, and therefore there is no invariableness wanted: in the former case invariableness in the instrument (under the modification which it is needless to repeat) is essential to the attainment of the common term; in the latter, the common term being given, there is nothing in which invariableness can have place, or of which it can be predicated. If the length of the rod varied in an unknown degree between applying it to the two objects, we should have two terms of unknown relation to each other, and there could be no comparison of the objects to be measured; and if the values of the

two commodities, which we were desirous of comparing, were expressed in different media, there would be the same impossibility. Hence, if in the case of value we were under the necessity of finding a counterpart to invariableness of length in the instrument employed to compare the dimensions of two objects, it would be, not invariableness of value in the commodity used as a medium to compare the value of two other commodities, but the condition that the value of these commodities should be given in relation to the same medium, or, in other words, expressed in a common denomination.

From all this it appears, that the analogy universally supposed to exist in this matter is altogether imaginary, and the phrase, invariable measure of value, proves to be absolutely destitute of a basis of meaning.

The doctrine which exacts invariableness in a measure of value, furnishes one corollary, which has been so frequently maintained and so generally adopted, that although its refutation is contained in the preceding observations,

it appears to require a separate examination. It is argued, that money or any other commodity is a good measure of the value of commodities, only at the same time, because it is liable to vary; while to perform this function correctly, there should be a commodity the value of which did not vary from one age to another; as to measure the lengths of objects at different periods, there must be an object of invariable length*. Let us therefore endeavour to ascertain what this really amounts to. With regard to the measurement of space, the intervention of time occasions no alteration in the requisite conditions. The preceding remarks are as applicable to the measurement of the length of objects at different times as to the same time. The qualification necessary to constitute an instrument a good measure of space, is in each

* "At the same time and place, money is the exact measure of the real exchangeable value of all commodities. It is so, however, at the same time and place only." Wealth of Nations, Book i, Chap. 5.

case identical, namely, invariableness during its application to all the objects compared. Whether an hour or a century elapses between the successive applications of the instrument makes no difference. The essential requisite is the same in measuring objects in distant ages, or objects existing at the same time.

But in the process called measuring value, there is no application of any instrument, and therefore, as I have already shown, there is absolutely nothing to which the quality of invariableness can be attributed, or of which it can be affirmed. The requisite condition in the process is, that the commodities to be measured should be reduced to a common denomination, which may be done at all times with equal facility; or rather it is ready done to our hands, since it is the prices of commodities which are recorded, or their relations in value to money. If money, therefore, is a good medium of comparison at one time, it is at all times.

It may be objected, "Yes, good enough for commodities at each time, but not between commodities at different times."

This objection, however, proceeds on a fundamental mistake already exposed in a former chapter, namely, that the relation of value can exist between commodities at different periods, which is in the nature of the case impossible; and if no relation exists there can be no measurement of it. It is, in truth, only the value of commodities at the same time that can be measured; another point in which the supposed analogy between the measurement of space and of value completely fails. In the case of length, a direct comparison may be made between two objects, however separated by time, and their ratio to each other found. The length of an object now may be compared with the length of an object in former times, by means of an instrument actually handed down to us; by an uninterrupted transmission of the same object, or the same space through the medium of different objects, furnishing a com-

mon bond of connection between the measurements of space in all ages. But this circumstance can evidently have no existence in the measurement of value, which is the ascertainment of a relation between contemporary commodities, and not between objects at different periods. The two cases would be analogous if we supposed no physical measure of length to be transmitted from one period to another, but only a record of the lengths of different objects expressed in a common denomination. Under these circumstances, all that we could do would be to compare the relative dimensions of objects in our own days, with the relative dimensions of similar objects in past times, as recorded: but we should have no common medium of comparison between one age and another. Now what in this case would be owing to the want of a transmitted measure, arises in the other case from the very nature of the relation with which we have to do. The nature of that relation itself interposes as complete a disconnection between different ages, as

would result from the supposed want of a common instrument for measuring space.

It is obvious then, that if no relation of value can exist between objects in different ages, there can be no measurement of it, nor consequently can there be any measure or medium of comparison required.

The only thing to be done, with regard to different periods, is to compare the relation of value subsisting between any two commodities, A and B, at one period, with the relation subsisting between them at another; or, in other words, the quantity of A which purchased B at the former time, with the quantity of A which purchased B at the latter. This is evidently a simple comparison, in which neither A nor B perform the function of a measure, or medium, in any possible interpretation of the term. That office has in all likelihood been already discharged in ascertaining the relative quantities of A and B at each period; and if, as is probable, these quantities have been ascertained by means of the prices of the commodities, money

has been the medium of comparison. But after these quantities have been ascertained, there can be no place whatever in the subsequent comparison for any medium, no conceivable function for it to perform.

Should it be urged, that when we compare the price of corn in one year with its price in another, we use money as a medium of comparison, in the same way as when we compare the prices of corn and cloth at the same point of time, the answer is not difficult.

In the latter case it is obvious, that the facts furnished to us are the relations of cloth and corn to money, or, the quantities of money for which definite portions of them are exchanged; and from these we infer another circumstance, namely, the relation of value between corn and cloth, and consequently their comparative power of purchasing all other commodities.

In the former case, on the other hand, the facts furnished to us are the prices of corn, or the relations between corn and money, at two different periods: but from these we deduce no other rela-

tion; we do not advance a step beyond the information given; there is no inference corresponding to that which is drawn in the other case. We cannot deduce the relation of value, between corn at the first and corn at the second period, because no such relation exists, nor consequently can we ascertain their comparative power over other commodities. If we made the attempt, it would be in fact endeavouring to infer the quantities of corn which exchanged for each other at two different points of time, a thing obviously absurd. And further, money would not be here discharging a particular function any more than the other commodity. We should have the value of corn in money, and the value of money in corn, but one would be no more a measure or medium of comparison than the other.

These observations are enough to show, that the only use of a measure of value, in the sense of a medium of comparison, is between commodities existing at the same time; and consequently the proposition, that money is not

a good measure of the value of commodities at different periods, is either false or amounts to nothing. If it means that money is not equally a good measure of contemporary commodities at any period, it is directly opposite to the truth: if it means that it is not a good medium of comparison between commodities at different periods, it asserts its incapability of performing a function in a case where there is no function for it to perform.

In applying the principles developed in the preceding disquisition to the writings of Mr. Ricardo, we shall find that he has fallen into the same errors as his predecessors and contemporaries, as well as into others peculiarly his own. Misled by his radical misconception of the nature of value, and particularly by his notions on the subject of real value, he has opened his section "on an invariable measure," with the following passage, the errors of which will be sufficiently apparent to any one who has attended to the foregoing part of the present chapter.

"When commodities," says Mr. Ricardo,

"varied in relative value, it would be desirable to have the means of ascertaining which of them fell, and which rose in real value, and this could be effected only by comparing them, one after another, with some invariable standard measure of value, which should itself be subject to none of the fluctuations to which other commodities are exposed. Of such a measure it is impossible to be possessed, because there is no commodity which is not itself exposed to the same variations as the things, the value of which is to be ascertained; that is, there is none which is not subject to require more or less labour for its production."

It has been already shown in the first chapter, not merely that such a commodity is physically impossible, as here conceded by Mr. Ricardo, but that the supposition of such a commodity, for such a purpose, involves contradictory conditions*. We could not in the nature

* Should Mr. Ricardo, or rather should any of his followers, shelter himself under the notion of real value, and thus escape the absurdity here charged upon him, it would only be taking refuge in another absurdity equally great.

of the case have any commodity of invariable value, by which to ascertain the fluctuations of all other things, unless all commodities were of invariable value, in which case there would be no fluctuations to ascertain.

We have also seen in the present chapter, that the demand for invariablenes of value in any commodity to be used as a measure, is founded altogether on a false analogy; that fluctuations in value are not ascertained by any measure, but by historical evidence; that a measure of value can signify nothing but a medium of comparison for contemporary commodities; and that we have as good a measure in this sense, not only as it is possible to have, but as it is possible to conceive.

Besides these errors, there is to be discovered in Mr. Ricardo's views, as to the uses of a measure of value, a singular confusion of thought, which I shall here endeavour to explain.

The specific error of Mr. Ricardo on the subject of invariable value consists, as before explained, in supposing, that if the causes of

value affecting one commodity remained the same, the value of that commodity could not vary, overlooking the circumstance, that value denotes a relation between two objects, which must necessarily alter with an alteration in the causes affecting either of them. He incessantly identifies constancy in the quantity of producing labour with constancy of value. Hence he maintains, that if we could find any commodity invariable in the circumstances of its production, it would be in the first place invariable in value; and, secondly, it would indicate, or would enable us to ascertain, the variations in value of other commodities.

It is curious enough that he should never have clearly discerned what such a commodity would really serve to indicate: it would not, as he asserts, serve to indicate the variations in the value of commodities, but the variations in the circumstances of their production. It would enable us to ascertain, not any fluctuations in value, but in which commodity those fluctuations had originated. He has in truth

confounded two perfectly distinct ideas, namely, *measuring the value of commodities*, and *ascertaining in which commodity, and in what degree, the causes of value have varied.*

For suppose we had such a commodity as he requires for a standard: suppose, for instance, all commodities to be produced by labour alone, and silver to be produced by an invariable quantity of labour. In this case silver would be, according to Mr. Ricardo, a perfect measure of value. But in what sense? What is the function performed? Silver, even if invariable in its producing labour, will tell us nothing of the value of other commodities. Their relations in value to silver, or their prices, must be ascertained in the usual way, and when ascertained, we shall certainly know the values of commodities in relation to each other: but in all this there is no assistance derived from the circumstance of the producing labour of silver being a constant quantity.

But it is the fluctuations of commodities which this invariable standard is to ascertain or

measure. Let us try to discover how far it would assist us here.

Suppose cloth in the year 1600 was worth 12*s*. a yard, and in 1800 only 6*s*. Here we have a fluctuation in the value of cloth, in relation to the standard commodity; in 1800 it was worth only half as much silver as it was in 1600. This, however, is not, let it be observed, a fluctuation ascertained by the circumstance of silver being produced by an invariable quantity of labour. Had silver varied in the circumstances of its production, our information as to the relation between cloth and silver would have been equally attainable, and equally complete. What then could be ascertained, in this case, from the metal being invariable in the quantity of its producing labour? What inference would this circumstance enable us to draw? No inference, obviously, as to the value of cloth and silver; for, on this point, the prices of the former tell us all that it is possible to know. The inference we should draw would be, that the

cause of the change in the relation between cloth and silver had been in the former, and as labour is, by the supposition, the sole cause of value, we might more particularly infer, that the producing labour of cloth had been abridged to half its former quantity.

A commodity, therefore, under these conditions, produced by an invariable quantity of labour, would enable us to ascertain, not the fluctuations in value between two or more commodities (for these are facts to be gathered from appropriate evidence), but the fluctuations in the quantity of labour which produced them: and in truth, if we examine what is the particular advantage which Mr. Ricardo himself supposes we should be able to derive from the possession of such a commodity, we shall find it to be in reality that which is here described, the power of ascertaining, not the variations in value, but the variations in the producing labour of commodities. Speaking of the interchange of game and fish, in the earlier stages of society, he says,—

"If with the same quantity of labour, a less quantity of fish, or a greater quantity of game were obtained, the value of fish would rise in comparison with that of game. If, on the contrary, with the same quantity of labour a less quantity of game, or a greater quantity of fish was obtained, game would rise in comparison with fish.

"If there were any other commodity, which was invariable in its value, we should be able to ascertain, by comparing the value of fish and game with this commodity, how much of the variation was to be attributed to a cause which affected the value of fish, and how much to a cause which affected the value of game.

"Suppose money to be that commodity. If a salmon were worth £1, and a deer £2, one deer would be worth two salmon. But a deer might become of the value of three salmon, for more labour might be required to obtain the deer, or less to get the salmon; or both these causes might operate at the same time. If we had this invariable standard, we might easily as-

certain in what degree either of these causes operated. If salmon continued to sell for £1, whilst deer rose to £3, we might conclude *that more labour was required to obtain the deer.* If deer continued at the same price of £2, and salmon sold for 13*s.* 4*d.* we might then be sure that *less labour was required to obtain the salmon;* and if deer rose to £2. 10*s.* and salmon fell to 16*s.* 8*d.* we should be convinced that *both causes had operated* in producing the alteration of the relative value of these commodities."

Here we have a very accurate description, by Mr. Ricardo, of what a commodity produced by an invariable quantity of labour (not a commodity of invariable value, as he erroneously terms it) would enable us to ascertain, under the supposition that all things were determined in value by quantity of labour. He does not tell us that such a commodity would enable us to ascertain the value of fish or game, or their variation in value, but *this variation being given,* that it would enable us to infer how much of it was to be attributed to a

change in the labour required to obtain the salmon, and how much to a change in that required to obtain the deer.

In this and other passages it will be found, that although Mr. Ricardo is professedly speaking of a commodity produced by invariable labour, in the character of a measure of value, he is in reality, without being conscious of the difference, altogether occupied with the consideration of that commodity as capable of indicating variations in the producing labour of other commodities*. Instead of a measure of value,

* The same remark will apply to economists in general. Their real object in seeking for a measure of value (however little they may be aware of it) is to determine in which commodities any changes of value have originated, and not to ascertain the extent of these changes, which, as I have repeatedly stated, are matters of record and evidence, and a knowledge of which is in reality pre-supposed in any application of what they call a measure. It is not, therefore, a measure of value which they are in pursuit of, but a commodity which would indicate the sources of variation. Whether there is any one object which would do this better than another, would at all events be a rational. and might prove a useful inquiry.

such a commodity as he describes would be a measure of labour, or a medium of ascertaining the varying quantities of labour which commodities required to produce them. Before it could be employed in regard to any object, the value of that object, or its relation to the standard commodity, must be given, and then all that could be deduced from the datum would be the quantity of labour bestowed on its production.

But perhaps the most remarkable circumstance of all is, that for this latter purpose, that invariableness in the quantity of labour, which he has insisted upon as so essentially requisite, would be of no peculiar service. On the supposition that labour was the sole determining principle of value, a commodity produced by an invariable quantity of labour would afford us no assistance even as a measure of labour, which could not be equally derived from a commodity the producing labour of which was variable, provided we were furnished with the same data.

For in the above comparison of cloth in 1600 and cloth in 1800, mark all that is specifically ascertained.

If silver had been liable to variation in the quantity of its producing labour, we should still have been informed, from the same source that supplied the information in the other case, what was its relation to cloth, for this is equivalent to saying, that we should still have been informed of the prices of cloth at the two different periods specified. These are historical facts, and not deductions from the invariableness of the labour employed in the production of silver. Were this labour then a variable quantity, we should still learn, that a yard of cloth in 1600 was 12*s*. and in 1800 6*s*.; but we should, it is alleged, be at a loss to discover, whether the change in the relation between silver and cloth had been owing to the former or the latter. This then is the sole circumstance by which the two cases are supposed to be distinguished; and in fact it amounts to this; we could tell that, in the former case, cloth in 1800 required only

half the labour necessary for its production in 1600, while in the latter case we could not tell whether the quantity of producing labour in the cloth had been reduced one half, or whether that required for the production of money had been doubled. In answer to this I say, that the ratio between the quantities of labour necessary for the production of cloth in 1800, and in 1600, might be equally ascertained, although the quantity of labour employed in the production of silver had varied, provided that the data in the two cases were equal.

The data in the first case are the prices of cloth at each period, and the ratio subsisting between the quantity of labour employed at each period in the production of silver. The circumstance of this ratio being that of equality makes no difference.

Now suppose, in the second case, that we are furnished with the prices of cloth at both periods, and with the ratio subsisting between the quantities of the labour necessary for the production of silver, which ratio, by the sup-

position, not being that of equality, suppose to be as 2 in 1600 to 1 in 1800, or, in other words, suppose that silver in 1800 is produced by half the labour required in 1600.

With these data it is obvious, that we could deduce the ratio of labour employed in the production of cloth at these periods, with as much accuracy as we could under the conditions of the first case. If in 1600 the cloth was 12*s*. per yard, and in 1800 only 6*s*., the producing labour of silver at the latter period being only half of what it was at the former period, then the producing labour of cloth would have been reduced to a quarter of its former quantity. For in 1600 a yard of cloth being 12*s*. in value, the yard of cloth and the 12*s*. took equal quantities of labour to produce them: but in 1800 the producing labour of 12*s*. is by the supposition reduced one half, and consequently the quantity of labour in 6*s*. must be a quarter of the quantity which had been necessary to produce 12*s*. in 1600. Now as 6*s*. in 1800 exchange for a yard of cloth, the pro-

ducing labour of the yard of cloth must be equal to the producing labour of the 6*s*.; that is, a quarter of the quantity of labour employed to produce a yard of cloth in 1600.

It may probably be alleged, however, as an advantage peculiar to the first case, that the quantity of producing labour being invariable, we are saved from all that research into its comparative quantity at different periods which would be necessary on the contrary supposition. But it is to be recollected, that the circumstance of a commodity having been always produced by the same quantity of labour, is an historical fact quite as difficult to ascertain as the variations of another commodity. We might, it is true, be saved from all investigation of this nature, if there existed a commodity, which, from some obvious and insuperable necessity, was always the product of the same labour; yet even this advantage is not dependent on the invariableness of the labour; for if, what is equally easy to suppose, and quite as likely to happen, we had a commodity which necessarily

varied every year in a given proportion, we should be equally spared the pains of historical research. To have a commodity, whether produced by a variable or by an invariable quantity of labour, which saved us the trouble of inquiry, would doubtless be an advantage, but we might as well suppose fifty other arbitrary aids*.

In concluding this discussion, it may not be useless to advert more particularly to one of the objects, which economists have proposed to themselves in the attempt to discover an invariable measure or standard of value. It appears to have been to determine the efficiency of revenues, salaries, and wages of different classes of people at different periods, in what condition such revenues enabled them to live, or what power it enabled them to wield. This, it is supposed, would be accomplished, did we possess some object of immutable value.

"If we are told," says Mr. Malthus, "that the wages of day-labour in a particular coun-

* See Note E.

try are, at the present time, four pence a day; or, that the revenue of a particular sovereign, 700 or 800 years ago, was 400,000*l.* a year, these statements of nominal value convey no sort of information respecting the condition of the lower classes of people in the one case, or the resources of the sovereign in the other. Without further knowledge on the subject, we should be quite at a loss to say, whether the labourers in the country mentioned were starving, or living in greater plenty; whether the king in question might be considered as having a very inadequate revenue, or whether the sum mentioned was so great as to be incredible.

"It is quite obvious, that in cases of this kind, and they are of constant recurrence, the value of wages, incomes, or commodities, estimated in the precious metals, will be of little use to us alone. What we want further is some estimate of a kind which may be denominated real value in exchange, implying the quantity of the necessaries and conveniences of life, which those wages, incomes, or commodi-

dities will enable the possessor of them to command *."

Now to suppose that we can have any one object by which this information can be obtained, would imply a gross misconception of the nature of value. I have already repeatedly stated, that to know the value of an article at any period, is merely to know its relation in exchange to some other commodity. From this fact, which must be ascertained like other facts, no inference whatever can be drawn as to the value of any thing beyond the two commodities in question. From the relation of corn and money nothing can be inferred as to the relation of corn and labour, or of money and labour. If, proceeding a step farther, we learn from the proper records the relation also of labour and money, then we can deduce the relation of labour and corn; but we should not be able to make any inference to any other object. The only practicable inference on the subject

* Principles of Pol. Econ., p. 59.

of value, is the mutual relation of two commodities from their separate relations to a third.

It follows, that if we wish to ascertain the state of comfort or luxury in which any class of people lived at any assigned period, there is no possible method of effecting the object, but ascertaining from the proper documents the amount of their incomes, and then, particular by particular, the relation which these incomes bore to commodities. If the incomes are stated in corn, or silver, nothing can be inferred from the statement, as to their power over other things. Supposing the income to be a certain amount of money, then the inquirer must find records of the prices of those articles to which his curiosity is directed, and a simple calculation will teach him the power of the income to command them.

If he wishes, for example, to ascertain the condition of the labouring class at any given period, he must first find the rate of wages, or, in other words, the mutual relation of labour and money. This is one step in the investiga-

tion, but it will not of itself throw any light on the food, clothing, and comfort, which the labourers are able to procure; and he must therefore search in the proper registers for the prices of such commodities as constitute these necessaries and conveniences. He can ascertain nothing but what is shown by the historical documents which he consults. When he has found the price of labour, the price of corn, of cloth, of hats, of stockings, of fuel, of house-room, he will be able to tell how much of each of these commodities a week's or a year's labour could command: in other words, the condition of the labouring class of society in these respects will become manifest.

But these are all separate particulars, to be separately ascertained: one will not disclose another; each must be individually established by independent evidence. There can be no commodity, by a reference to which the power of a given income over any or all other commodities may be shown.

Conclusions such as these are so obvious, that they would scarcely require to be formally stated had they not been frequently overlooked. Even the author of the Templars' Dialogues, who observes, "that Mr. Malthus, in common with many others, attaches a most unreasonable importance to the discovery of a measure of value," seems to sanction the prevailing errors, when he goes on to remark, that such a measure "would at best end in answering a few questions of unprofitable curiosity*." Sufficient, it is hoped, has been said to show, that we are in possession of the only kind of measure which can be had or conceived, and that we must look for the gratification of our curiosity, not to any measure of value whatever, but to the records of former times, and a few simple calculations from the data which they furnish.

* London Magazine for May 1824, p. 560.

CHAPTER VII.

ON THE MEASURE OF VALUE PROPOSED BY MR. MALTHUS.*

After the conclusions established in the preceding chapter, it would be a superfluous task to examine the various measures of value which may have been imagined or proposed by different economists. As that, nevertheless, which has been recently advocated by Mr. Malthus, and which was originally brought forward by Adam Smith, has attracted some attention, it may deserve a cursory notice.

This measure is labour, considered as an exchangeable commodity, or, in other words, the labour which commodities command: and proceeding on the false principle, that a measure of value must be itself immutable in

value, Mr. Malthus maintains that the value of labour is invariable.

The discussions in which we have already been engaged, furnish a variety of methods in which the errors of this doctrine may be exposed.

It has been shown, for example, that the value of labour, like that of any other exchangeable article, is denoted by the quantity of some other commodity for which a definite portion of it will exchange, and must rise or fall as that quantity becomes greater or smaller, these phrases being in truth only different expressions of the same event. Hence, unless labour always exchanges for the same quantity of other things, its value cannot be invariable; and consequently, the very supposition of its being at one and the same time invariable, and capable of measuring the variations of other commodities, involves a direct contradiction.

It has also been shown, that to term any thing immutable in value, amidst the fluctuations of other things, implies that its value at one time may be compared with its value at

another time, without reference to any other commodity; which is absurd, value denoting a relation between two things at the same time: and it has likewise been shown, that in no sense could an object of invariable value, if attainable, be of any peculiar service in the capacity of a measure.

These considerations are quite sufficient to overturn the claims of the proposed measure, as maintained by its advocate, but it may be inquired, how far would it be useful in the sense of a medium of comparison. In order to satisfy this inquiry, let us suppose a simple case. I wish to know, for instance, the mutual value of corn and cloth in the year 1600; and in the ordinary way I find, that corn was 6*s*. a bushel and cloth 12*s*. a yard, and I thence perceive, that a bushel of corn was worth half a yard of cloth. This appears to be the only information wanted; but this is using money as the medium of comparison; and to apply Mr. Malthus's measure, we must find the value of corn and cloth in relation to labour. Of this, however, I probably shall find no record, and there-

fore the measure proposed cannot be used. I may find, it is true, the prices of labour, corn, and cloth: I then may proceed to calculate the value of a yard of cloth and a bushel of corn in labour; and their separate relations to labour will show their relation to each other: but this I have already learned from their prices or separate relations to money. Their value in labour, therefore, is perfectly superfluous towards ascertaining their mutual relation, consequently labour in this case is perfectly useless as a measure of value.

The way in which Mr. Malthus attempts to establish the invariable value of labour is remarkable enough, and his table, drawn up with that view, is certainly one of the most curious productions in the whole range of political economy*.

In the first column he supposes certain quantities of corn to be produced by ten men,

* As the subsequent remarks could scarcely be understood without a reference to this table, a copy of it is presented to the reader at the end of the present chapter.

according to the varying fertility of the soil. In the second column he states the yearly corn wages of each labourer, determined by the demand and supply. The first case supposes the yearly wages of a labourer to be 12 quarters, the last only 8 quarters; in other words, the value of labour in relation to corn is in the first case 12 quarters, and in the last 8. Hence it is obvious, that to prove the invariable value of labour, he begins by supposing it to be variable; singular premises, certainly, from which to deduce such a conclusion. And the process of deduction is no less singular. Taking the first case, he proceeds thus: If 1 man obtain 12 quarters per annum for wages, 10 men will obtain 120 quarters, and as the whole product of these 10 men is 150 quarters, profits will be 25 per cent. Now as 150 quarters are the product of 10 men, 120 quarters must be produced by 8 men, and the profits being equal to the labour of 2 men, the value of the whole 120 quarters is 10. But 10 what? Evidently 10 men's labour: that is, in other words, the quantity of corn

given to 10 men for their labour, is equal in value to the labour of ten men, which is just equivalent to saying, that the number of shillings which any one gives for a yard of cloth, is equal in value to the yard of cloth for which the shillings are exchanged! In a word, Mr. Malthus sets out from the premises, that 120 quarters of corn are given as wages to 10 men, and, after journeying through two columns of figures, he arrives at the conclusion, that the said 120 quarters are worth the labour for which they are given. In the same manner he goes through all the other cases, and as whatever quantity of corn is given to 10 men as their wages must be equal in value to that for which it is exchanged, that is, to the labour of 10 men, he constantly succeeds in alighting at the point from which he set out. Having accomplished thus much, he appears to proceed as follows: "If I give a commodity, which is as valuable at one time as at another, for another commodity at each of these periods, that other commodity must be equally constant in value. Now the wages of

10 men having been proved to be as valuable at one time as at another, the value of the labour for which they are exchanged must be also constant." By wages he means the aggregate quantity of corn; and how has he shown these wages to be of invariable value? He has shown them to be invariable, estimated in labour: his argument consequently is, that because the wages of ten men are always of the same value, estimated in labour, therefore the labour for which they are exchanged must be of invariable value.

In the same way any article might be proved to be of invariable value; for instance, 10 yards of cloth. For whether we gave £5 or £10 for the 10 yards, the sum given would always be equal in value to the cloth for which it was paid, or, in other words, of invariable value in relation to cloth. But that which is given for a thing of invariable value, must itself be invariable, whence the 10 yards of cloth must be of invariable value.

It is scarcely necessary to expose the futility

of reasoning like this. Instead of proving labour to be of immutable value, it proves the reverse. An alteration in the mutual value of two articles means, that the quantities in which they are exchanged for each other are altered: a definite quantity of one is exchanged for a greater or smaller portion of the other than before. Now the only commodities in question, in Mr. Malthus's table, are corn and labour; and if, as he supposes, the labour of 10 men is at one time rewarded with 120 quarters of corn, and at another time with only 80 quarters, the only condition required for an alteration of value is fulfilled, and labour, instead of being invariable, has fallen one-third.

The fallacy lies in virtually considering or speaking of wages, as if they were a commodity; while, as the term is used by Mr. Malthus, it really implies an aggregate quantity of corn, in the same way as the term *sum* implies an aggregate quantity of money; and it is just the same kind of futility to call wages invariable in value, because though variable in quantity

they command the same portion of labour, as to call the sum given for a hat, of invariable value, because, although sometimes more and sometimes less, it always purchases the hat. In speaking of the rise and fall in value of commodities, we have nothing to do with aggregate quantities which really vary in amount, and have no identity but in name; our business is with definite portions: and the precise reason why the labour in one case, and the hat in the other, are not of invariable value, is, that the quantities of corn and of money given for them have varied, although these quantities under every variation continue to be designated by the terms "wages," and "sum."

It is true enough, that if a commodity exchanges at one time for 10 men's labour, and at another time for the same, it has not altered in value to labour: both the commodity and the labour have been constant in value to each other; but as wages are not a commodity, as in Mr. Malthus's nomenclature they signify an aggregate quantity of corn, if this aggregate

quantity, given for a definite portion of labour, is sometimes larger and sometimes smaller, the corn of which the aggregate is composed varies accordingly in value in relation to the labour for which it is given, and the labour varies in value in relation to the corn

From these remarks the reader will perceive, that Mr. Malthus's "Table illustrating the invariable value of labour," absolutely proves nothing. It exhibits merely the results of a few simple operations in arithmetic, as a slight inspection of the annexed copy will show. Column 1 contains the quantities of corn produced, according to the varying fertility of the soil, by the yearly labour of 10 men, which quantities are assumed, and not deduced from other data. The second column exhibits the quantities of corn given yearly to each labourer, and these quantities are also assumed, not deduced. Column 3 contains the quantities of corn given yearly to 10 men, obtained by multiplying the quantities in column 2 by the number 10. Column 4 shows the rate of profit, or how much

per cent. the quantities of corn in column 1 exceed the corresponding quantities in column 3; or, in other words, how much per cent. the quantities of corn produced by 10 men exceed the quantities given to 10 men for their labour. Column 5 exhibits the quantities of labour, or number of men required to produce the quantities of corn in the third column, obtained by a simple operation in the rule of three: if 10 men produce 150 quarters, how many will be required to produce 120?

Column 6 shows the profits estimated in labour, after the rate in the fourth column; or, what is the same thing, it shows the quantities of labour which the quantities of corn in column 3 will command, over and above what produced them. Column 7 contains the quantities of labour commanded by the corn in column 3, and is nothing but a repetition of what was before told us in the third column: for we are there informed, that the quantities of corn enumerated, severally commanded the yearly labour of 10 men, and in this seventh column there

are fourteen distinct reiterations of the same piece of information. Column 8 is merely another enumeration of results obtained by simple operations in the rule of three. It shows the quantities of labour which 100 quarters of corn would command, at the different rates according to which labour is rewarded in the third column.

Column 9 is a similar enumeration of results, obtained in the same manner, and exhibits the quantity of labour which the products of the labour of 10 men in column 1 would respectively command, or the value of those aggregate quantities estimated in labour.

This cursory review evinces, that the formidable array of figures in the table yields not a single new or important truth; and that the seventh column, which was intended to afford the grand result of this tabular argument, exhibits *merely a constant repetition of one of the* assumptions on which the whole is built*.

* See Note F.

Mr. Malthus's Table illustrating the invariable Value of Labour and its Resul

	1. Quarters of Corn produced by Ten Men, or varying Fertility of the Soil.	2. Yearly Corn Wages to each Labourer, determined by the Demand and Supply.	3. Advances in Corn Wages, or variable Produce commanding the Labour of Ten Men.	4. Rate of Profits under the foregoing Circumstances.	5. Quantity of Labour required to produce the Wages of Ten Men under the foregoing Circumstances.	6. Quantity of Profits on the Advances of Labour.	7. Invariable Value of the Wages of a given Number of Men.	8. Value of 100 Quarters of Corn, under the varying Circumstances supposed.	9. Value of Product c Labour of Men, and Circumst suppos
	Qrs.	Qrs.	Qrs.	Per Cent.					
	150	12	120	25	8	2	10	8.33	12.5
	150	13	130	15.38	8.66	1.34	10	7.7	11.5
	150	10	100	50	6.6	3.4	10	10	15
	140	12	120	16.66	8.6	1.4	10	8.33	11.6
	140	11	110	27.2	7.85	2.15	10	9.09	12.7
	130	12	120	8.3	9.23	.77	10	8.3	10.8
	130	10	100	30	7.7	2.3	10	10	13
	120	11	110	9	9.17	.83	10	9.09	10.9
	120	10	100	20	8.33	1.67	10	10	12
	110	10	100	10	9.09	.91	10	10	11
	110	9	90	22.2	8.18	1.82	10	11.1	12.2
	100	9	90	11.1	9	1	10	11.1	11.1
	100	8	80	25	8	2	10	12.5	12.5
	90	8	80	12.5	8.88	1.12	10	12.5	11.2
Explanations, as given in the present Chapter.					Quantity of Labour required to produce the corresponding quantity of Corn in the third column.	Quantity of Labour which the Corn in column 3 will command over and above what it cost.	Quantity of Labour commanded by the Corn in column 3, or Number of Men commanded.	Quantity of Labour commanded by 100 Quarters of Corn, under the circumstances supposed.	Quantity Labour c manded the Co in colum

CHAPTER VIII.

ON METHODS OF ESTIMATING VALUE.

THE discussion respecting the measurement of value naturally leads to the consideration of the methods of estimating value. To measure and to estimate value are often considered as implying the same operation, and are used indiscriminately. The explanation, however, of the former, which I have given in a preceding chapter, establishes a useful distinction between them. By measuring value I mean finding the mutual relation of two commodities by their separate relations to a third. Estimating value is the same thing as expressing it*, except that

* See Note G.

the latter is more appositely used in regard to a single definite portion of a commodity, or at least in the simpler cases of valuation; while the former may be appropriated to cases of greater complexity, where we compute the value of a mass or number of commodities. When I say a yard of cloth is worth twenty shillings, or a pound, I express the value of the cloth in relation to silver. When I say that 1000 yards of cloth, 500 quarters of corn, and 20 tons of iron, are worth 3000 guineas, I estimate the value of these articles in gold. If it is necessary to establish a distinction between expressing and estimating value, it may therefore be stated to be, that the latter involves the idea of computation, which is not necessarily implied in the former. The distinction, however, is not essential, and the indiscriminate use of the terms can scarcely lead to error.

Mr. Ricardo frequently insists, that if by improvements in the methods of production the whole produce of a country were doubled, while the labour employed remained the same, this doubled produce would be only of the same

aggregate value as the former produce, while each individual commodity would have fallen fifty per cent. in value. It is obvious, however, that the truth of this and similar positions entirely depends on the medium in which we estimate value. Suppose, for the sake of simplification, that the country had no foreign commerce, and produced its own money: then if all commodities (money of course included) were produced in double quantity, the effect would be, that while the value of the aggregate would be doubled, the value of each individual commodity would remain as before. For by the value of an individual commodity we mean its power of commanding other things in exchange. If a pair of stockings were formerly worth a shilling, it would still be worth a shilling. Every commodity would in the same way continue to be exchanged in the same quantity against every other commodity. So far as to the value of individual commodities. With regard to the aggregate, value being in strict propriety a relation existing amongst the several parts, it cannot be predicated of the whole, ex-

cept in reference to some of its parts. If the value of the whole means any thing, it can be only its value estimated or computed in some individual commodity; and in this sense, as the quantity of every thing would be doubled, the aggregate value would be doubled. If a pair of stockings continued to be worth a shilling, 2000 pair, which would now be produced for every thousand pair previously, would be worth 2000 shillings; and thus, with regard to every other commodity, we should have a double value in shillings, and the sum of all these values would be double.

Labour is the only thing in relation to which any commodity would not necessarily appear to be of the same value*, but here we are of course leaving labour out of consideration. On the sup-

* Commodities *might* appear of the same value even in relation to labour; that is to say, there would be no inconsistency or repugnance amongst the terms and ideas involved in the supposition, although the circumstance would be one not likely to happen: a point, indeed, in which it only resembles the other parts of this hypothetical case.

position that all commodities were doubled in quantity, this is the result, in whichever of the commodities or parts we choose to estimate the whole. But if any one commodity is supposed to be produced in the same quantity by the same labour as before, and the whole of the other commodities are estimated in this one, it will be true enough, that the whole produce continues of the same value, while the parts have fallen one half*. From this it is evident, that in all such cases the result depends on the commodity chosen as the medium of estimation. As by value we always imply value in something, a commodity may be said by one person to rise, and by another to fall, and with equal truth, if they speak with tacit reference to different commodities; but a general affirmation of this nature is worse than useless. The assertion of a rise or fall in any thing should be accompanied by a mention of the commo-

* Assuming that commodities are to each other in value as the quantities of labour concerned in their production.

dity in relation to which it has thus varied, or, at all events, the commodity should be clearly indicated by the tenour of the language employed. Otherwise, two disputants in Political Economy may share the fate of the two knights, who fell sacrifices to their obstinacy in maintaining, the one that a shield was of gold, the other that it was of silver, both being equally correct in their assertions, and their difference arising, as a thousand differences arise, from the simple circumstance of having looked at opposite sides of the same object.

The present subject may be further elucidated by citing a passage from Mr. Ricardo. "The labour of a million of men in manufactures," says he, "will always produce the same value, but will not always produce the same riches. By the invention of machinery, by improvements in skill, by a better division of labour, or by the discovery of new markets, where more advantageous exchanges may be made, a million of men may produce double or treble the amount of riches, of necessaries, conve-

niences, and amusements, in one state of society, that they could produce in another, but they will not on that account add any thing to value; for every thing rises or falls in value in proportion to the facility or difficulty of producing it, or, in other words, in proportion to the quantity of labour employed on its production*."

All this may be safely pronounced unmeaning and nugatory†. It conveys no information, nor can we judge of its correctness or inaccuracy, till we know what is the commodity, in relation to which it is meant to assert, that the product of the labour of this million of men will always prove of the same value, or in other words, until we are told what is the commodity employed as a medium of estimation. If these men produce treble the quantity of all articles of exchange whatever, then the aggregate value of the product of their labour will be treble,

* Principles of Pol. Econ., p. 320, 3d edit.

† See Note H.

estimated in any article we please. If any articles still require the same labour, and we estimate the rest in these, then the aggregate value will remain the same.

In the sequel of the passage above cited, Mr. Ricardo maintains, that when the labour of a certain number of men, formerly capable of producing 1000 pair of stockings, becomes by inventions in machinery productive of 2000 pair, the value of the general mass of commodities will be diminished, because the stockings manufactured before the improvement must fall to the level of the new goods. This again depends on the mode of estimation. Estimated in stockings, the aggregate value of the general mass of commodities would rise; estimated in any thing else it would fall: and although it may seem ludicrous to talk of estimating the value of all commodities in stockings, the principle is still the same as if gold or any other commodity happened to be the medium of valuation.

Hence it appears, that these propositions,

which carry so profound and paradoxical an air, really amount to nothing but this, that a commodity may rise or fall in relation to one commodity and not to another, and therefore that the estimation of commodities in different *media* will necessarily yield different results.

It may be here remarked, that Mr. Ricardo employs the term estimate in a manner altogether incorrect. In the preceding pages it has been shown, that we can express the value of a commodity only by the quantity of some other commodity, for which it will exchange. Now if to *estimate* has the same meaning as to *express* value, with the accessory idea of computation annexed, it follows that we can estimate value only in the same manner. Should we therefore at any time employ labour as the medium of estimation, it must be the labour for which a commodity will exchange. But Mr. Ricardo speaks of estimating commodities by the labour which is required to produce them. Nor is this to be regarded merely as a verbal inaccuracy, for it appears to have led

him into that erroneous method of estimating the value of labour, which has been already pointed out. It may be said, at least, that a clear apprehension of the precise meaning of the term would have been incompatible with his doctrine on the real value of wages, if not with the fundamental error which runs through his speculations, and of which his doctrine on the subject of the real value of wages is but a ramification.

CHAPTER IX.

ON THE DISTINCTION BETWEEN VALUE AND RICHES.

In the last chapter the subject of the present one has been in some degree anticipated. It has been there shown what is the real amount of the assertion, that the riches of a society may be doubled or trebled without any thing being added to their value. The subject, however, is of so much importance, that it will be necessary to enter into a closer examination of it.

The distinction between riches and value is sufficiently obvious, riches signifying the commodities themselves (with one or more accessory ideas annexed), and value denoting the relation in exchange between any of these commodities.

Mr. Ricardo, nevertheless, has been singularly unfortunate in his attempt to discriminate them. His elaborate chapter, which contains it, appears to me to be a remarkable tissue of errors and uumeaning conclusions, arising from his fundamental misconception of the nature of value. Throughout the whole of this chapter, he speaks of value as the positive result of labour: whence it follows, that the same quantity of labour must always produce the same value, however much its productive powers may have increased. Riches, therefore, may be indefinitely multiplied, while no more labour is employed; but the value of the riches, under this condition, remains invariably the same.

Such is the sum and substance of his argument. The error of stating the value to remain constant has been sufficiently considered. There is still, however, an ambiguity or obscurity in the meaning of the term riches, which requires to be cleared up. Mr. Ricardo has regarded it as synonymous, sometimes, with *commodities*, and at other times with *abundance*

of commodities. It is evidently used in a collective sense; it is a term expressive of aggregation, if not of plenty. The adjective rich is never applied but to denote the possession of abundance, or the means of commanding it, and it may be doubted whether the substantive riches is ever used without an implication of the same idea. If it were merely a general expression for commodities, without any accessory idea, it might be discarded from our speculations, and the latter word substituted in its stead. But such an experiment would not answer. We could not with any propriety change the title of Adam Smith's great work into "An Inquiry into the Nature and Causes of the Commodities of Nations." We should approximate more nearly to the meaning of the original, were we to translate it, "An Inquiry into the Nature and Causes of the greater or smaller abundance of Commodities possessed by Nations."

Whether the idea of abundance, however, is involved in the meaning of riches or not,

the idea of aggregation or collection cannot be excluded. A single grain of wheat is not wealth, although it may be said to be an article of wealth. The idea of possession also seems essential to it. Riches are not simply commodities as things existing, but as things possessed. The most useful articles in an uninhabited country could not be termed wealth, because they would have no proprietor. The country, it is true, might be denominated rich in such articles, but only inasmuch as it would be the container or possessor of them. There would still be the same idea of possession involved in our language.

Whatever difficulty may be found in furnishing a good and complete definition of riches, there can be none in establishing the difference between the terms riches and value, as used in the science of Political Economy. Riches are the attribute of men, value is the attribute of commodities. A man or a community is rich; a pearl or a diamond is valuable. He pos-

sesses riches who is the owner of commodities which themselves possess value*; and, further, he is rich in proportion to the value of the objects possessed. Mr. Ricardo, indeed, denies that value is the measure of riches; but a slight consideration will show, that it is the only criterion by which we can determine whether one man or one community is richer than another. If the wealth of two men consisted in one single commodity, then, without entering into the question of exchange or value, we might determine that one was richer than the other, from mere excess of quantity. Even, however, in the simplest imaginable case of

* Colonel Torrens is of opinion, that value is not essential to the idea of riches: it may be questioned, however, whether it is not always implied, and whether the latter term would have been invented in a state of society in which there was no interchange of commodities. It is a point, at all events, of little importance; as, in those cases which come under the notice of the political economist, value in exchange is a constant adjunct of wealth. Vide Essay on the Production of Wealth, chap. i.

this kind, there would necessarily be a superiority of value, if such an idea came at all into question, as well as of wealth. If the sole commodity in possession of the two individuals were corn, of which one possessed 500 quarters and the other 1000, the latter would not only be richer, but the proprietor of produce, the aggregate value of which was greater.

In all but this very simplest case, it would be impossible to decide with accuracy on the superiority of two individuals in point of riches, except by estimating their value in some common medium: Suppose the individual who possessed the 500 quarters of corn, was worth also 500 yards of cloth, while the other, who had 1000 quarters of corn, possessed only 100 yards of cloth; in what imaginable method could their riches be compared, and the superiority of one over the other be ascertained, except by means of their value, computed in some common medium of estimation, or reduced into one denomination?

With regard to heterogeneous commodities, there are in fact only two conceivable *criteria* of riches: one, the utility of any possessions; the other, their value. The first is in the highest degree unsteady and indeterminate, and altogether inapplicable. Iron, as Mr. Ricardo remarks, may be more useful than gold, but the possession of a pound of the former metal would not constitute a man as rich as that of an equal weight of the latter. Value, therefore, is the only criterion of riches which is left to us.

In determining, then, the question whether riches could be increased, without an increase of value, we must recur to the principles laid down in the last chapter. The answer in each particular case will depend on the medium of estimation. There is one additional remark, however, which may be here introduced. In the chapter referred to, a case was supposed, in which all commodities were produced in double quantity by the same labour, with the exception of one solitary article, and it was

admitted, that if the whole were estimated in this one commodity, the aggregate value would be unaltered. In this hypothetical case, nevertheless, it still remains to be determined how we are to estimate the value of the commodity chosen as the medium. In estimating the *whole* produce in this medium, we necessarily include the latter, and compute it as *being worth itself.* But value is a relation between two objects, and had we in any case to express the value of the medium, we must have recourse to one of the other commodities, when its value would appear to be doubled. Hence, although according to the supposed estimate, the aggregate value of the other commodities would be the same, the value of the medium would be twice as great as before; and thus it might be truly said, that let us adopt what medium of estimation we please, no increase of riches can take place without an increase of value.

CHAPTER X.

ON THE DIFFERENCE BETWEEN A MEASURE AND A CAUSE OF VALUE.

Any one who takes the trouble of minutely examining the writings of the most celebrated political economists will be astonished, not only at the looseness of expression, but at the vagueness of design by which they are too frequently distinguished. It is often far from being manifest, what is the precise doctrine or proposition they are intending to support, or to overthrow; or rather, it is evident that they themselves have not succeeded in defining it clearly to their own understandings.

No department of political economy has suffered more from this indefiniteness of purpose, and ambiguity of language, than that which is

occupied with investigating the measures and causes of value. It would seem, on a first view, that the ideas of measuring and causing value were sufficiently distinct to escape all danger of being confounded; yet it is remarkable, that both the ideas themselves, and the terms by which they are expressed, have been mixed and interchanged and substituted, with an apparently total unconsciousness of any difference existing between them.

The author of the Templars' Dialogues on Political Economy is the only writer who appears to me to have been fully aware of this confusion of two separate and distinct ideas*. He traces it partly to an ambiguity in the word determine. "The word determine," says he, "may be taken subjectively for what determines x in relation to our knowledge, or objectively, for what determines x in relation to itself.

* This was written before I had seen the second edition of Mr. Mill's Elements, in which the distinction is for the first time introduced. His language on this point, nevertheless, is not uniformly consistent, as will be shown in the next chapter.

Thus if I were to ask, 'What determined the length of the race course?' and the answer were, 'The convenience of the spectators, who could not have seen the horses at a greater distance;' or, 'The choice of the subscribers;' then it is plain, that by the word 'determined,' I was understood to mean 'determined objectively;' in relation to the existence of the object; in other words, what *caused* the race-course to be this length rather than another length: but if the answer were, 'An actual admeasurement,' it would then be plain, that by the word 'determined,' I had been understood to mean 'determined subjectively," *i. e.* in relation to our knowledge; what ascertained it*?"

The writer just quoted is wrong, however, in supposing Mr. Ricardo to be free from ambiguity in this point. A very cursory inspection of the Principles of Political Economy and Taxation will show, that he has fallen into the same confusion as other economists; and it is astonishing to find the author of the Dia-

* London Magazine, Dec. 1823, p. 588: article entitled "Measure of Value."

logues asserting, that Mr. Ricardo did not propose his principle of value (namely, the quantity of labour) as the measure of value. The fact is, that he sometimes speaks of it as the cause, and sometimes as the measure, in such a way as proves that he had not attained to any distinct conception of the difference between the two ideas.

Thus in the first section of his book he accuses Adam Smith of erecting the labour, which a commodity will command, into a standard measure, instead of the labour bestowed on its production, the latter of which he asserts to be, " under many circumstances, an invariable standard, indicating correctly the variations of other things*." Farther on he speaks of estimating food and necessaries " by the *quantity* of labour necssary for their production;" contrasting it with measuring them " by the quantity of labour for which they will *exchange*†."

In the second section, after speaking of la-

* Principles of Political Economy and Taxation, p. 5, 3d edition.

† Ibid, p. 7. The Italics are Mr. Ricardo's

bour as being the foundation of all value, he adopts in a note the language of Adam Smith, which designates labour as the real measure of the exchangeable value of all commodities*.

In another chapter of his work he is still more explicit.

"A franc," says he, "is not a measure of value for any thing, but for a quantity of the same metal of which francs are made, unless francs and the thing to be measured can be referred to some other measure, which is common to both. This I think they can be, for they are both the result of labour; and, therefore, labour is a common measure, by which their real as well as their relative value may be estimated†."

And to support this doctrine he cites a passage from M. Destutt de Tracy, the scope of which is to show that labour is the *cause* of value. Surely nothing can more decisively prove a confusion of ideas on this point than adducing a passage, which asserts labour to be

* Ibid., p. 13. † Ibid., p. 333.

the cause of value, in confirmation of a proposition that it is the measure of value.

Mr. Malthus, who has himself fallen into the same confusion of ideas and terms, is sufficiently justified by these passages in attributing to Mr. Ricardo the act of bringing forward his principle as a measure. That Mr. Ricardo has more frequently spoken of it as a cause of value, only proves that he has deviated into inconsistencies. How the author of the Dialogues could be led to maintain, in the face of these passages, that "Mr. Ricardo never dreamed of offering it as a standard or measure of value," it is difficult to imagine.

It will possibly be urged by the admirers of Mr. Ricardo, in order to defend him from the charge of inconsistency or ambiguity of language, that if quantity of labour is truly the sole cause of value, then it must also be a correct measure or criterion of value; and as one of these circumstances necessarily follows the other, it is indifferent in which capacity we speak of it.

tion of a commodity in which a definite portion of it was embodied*.

All that is really meant by a measure of value we have already seen, and what is implied by a cause of value will be examined in the following chapter. The object of the preceding brief discussion is not to consider the nature of either, but merely to show the essential distinction between the ideas which they involve.

* There was a further reason, namely, that the real object which he contemplated in a measure of value was to ascertain by it the changes which commodities might undergo in regard to the quantity of labour required to produce them. Now to use labour itself as a measure implies this object to be already accomplished. See Note I.

CHAPTER XI.

ON THE CAUSES OF VALUE

It may seem, that an inquiry into the causes of value should have had an earlier place in the present treatise; but it is in reality the natural method of proceeding to make ourselves acquainted with the nature of an effect, before we attempt to investigate its causes. Although, in point of time, a cause must precede its effect, yet in the order of our knowledge the case is commonly reversed, and we ascend from the phenomena before us to the active principles concerned in their production.

Our first object in this investigation must be to ascertain what is really meant by a cause of value, or what is its true nature, that we may have some criterion which will show us, on the

one hand, whether any circumstance assigned as a cause can be correctly admitted to rank under this denomination, and, on the other hand, whether any circumstance alleged to have no influence can be justly excluded.

It was explained in the first chapter, that value, although spoken of as a quality adhering to external objects, or as a relation between them, implies a feeling or state of mind, which manifests itself in the determination of the will. This feeling or state of mind may be the result of a variety of considerations connected with exchangeable commodities, and an inquiry into the causes of value is, in reality, an inquiry into those external circumstances, which operate so steadily upon the minds of men, in the interchange of the necessaries, comforts, and conveniences of life, as to be subjects of inference and calculation. These circumstances may either act directly on the mind, as considerations immediately influencing its views, or they may operate indirectly, by only causing certain uniform considerations to be presented

to it. In either case, if they are steady in their operation, they may be equally regarded as causes of value. We may often assign an effect to a cause, when perhaps we are unable to trace the exact series of changes occurring between them, or, in other words, the less prominent links in the chain of causes and effects by which they are separated in time, but connected in efficiency. In reference to the present subject, this may be easily illustrated. The equality in the cost of production of two articles, for example, is a cause of their exchanging for each other. This we know is the general effect of such circumstances; but it would be difficult to trace with precision the mode in which the effect was produced, and which indeed might vary on different occasions without disturbing the result. Suppose two persons, A and B, of whom the former has linen, which he wishes to exchange for woollen cloth, and the latter has woollen cloth, which he wishes to exchange for linen. The matter would be abundantly plain, if, besides knowing what his own

article cost him, each had a knowledge of the producing cost of the article to be received in exchange. But it is likely enough that they do not possess this latter knowledge, and in this case the defect will be supplied by the competition of the producers, which is itself governed by the cost of production; and thus, although the two parties to the bargain may not be guided by a knowledge of what each article has cost to produce it, they are determined by considerations, of which the cost of production is the real origin. This is still more strikingly the case in other instances. A clergyman, who received his tithes in kind, and exchanged raw produce for cloth, might be ignorant of the cost of either, yet the terms of his bargain would be determined by the general cost of both. The cost would regulate the point at which the competition of the producers would fix each article, or their ordinary prices; and a knowledge of these prices would operate on his mind in the exchanges which he made.

Whatever circumstances, therefore, act with

assignable influence, whether mediately or immediately, on the mind in the interchange of commodities, may be considered as causes of value.

Although, in the subsequent remarks, I may sometimes have to bring into view the mental operations implied in all cases of interchange, yet, to avoid prolixity, instead of speaking of circumstances operating on the mind in regard to any commodity, I shall frequently speak of those circumstances as operating on the commodity itself. While this will save circumlocution, it will not, it is hoped, give rise to ambiguity, as such language will be employed with a tacit reference to the real nature of the occurrence which it is intended to designate.

I have already had occasion to remark, that since value is a relation between two objects, it requires no proof that it cannot arise from causes affecting only one of the objects, but from two causes, or two sets of causes respectively operating upon the objects between which the relation exists. If A is equal in

value to B, this must be owing, not only to causes operating on A, but also to causes operating on B. In investigating the sources of value, however, it will be necessary to treat of these causes separately; and it may not be useless to recollect, that although value must in every instance arise from the combination of two sets of causes, any alteration, any rise or fall of value, may proceed from only one. The value of A and B is the effect of causes acting on both, but a change in their mutual value may arise from causes acting on either: as the distance of two objects is to be referred to the circumstances which have fixed both of them in their particular situation, while an alteration of the distance between them might originate in circumstances acting on one alone.

What then are the causes which determine the value of commodities, and an alteration in which is followed by a change in their relations? Or, in other words, what are the causes which determine the quantities in which commodities are exchanged for each other?

In order to answer this question, it will be necessary to attempt some classification of exchangeable articles.

Commodities, or things possessing value, may be divided into three classes.

1. Commodities which are monopolized, or protected from competition by natural or adventitious circumstances.
2. Commodities, in the production of which some persons possess greater facilities than the rest of the community, and which therefore the competition of the latter cannot increase, except at a greater cost.
3. Commodities, in the production of which competition operates without restraint.

A cursory attention to these classes will at once show, that their respective causes of value cannot be the same. Let us therefore take them in detail, and examine the causes operating on each class.

1. Monopolies may be divided into two kinds; those in which there is only one interest con-

cerned, and those in which there are separate interests.

In the first case, "the competition," (as Mr. Ricardo justly remarks) "is wholly on one side — amongst the buyers. The monopoly price," he continues, "of one period, may be much lower or higher than the monopoly price of another, because the competition amongst the purchasers must depend on their wealth, and their tastes and caprices. Those peculiar wines which are produced in very limited quantity, and those works of art, which from their excellence or rarity have acquired a fanciful value, will be exchanged for a very different quantity of the produce of ordinary labour, according as the society is rich or poor, as it possesses abundance or scarcity of such produce, or as it may be in a rude or polished state*."

The second kind of monopoly differs from

* Principles of Political Economy and Taxation, p. 290, third edition

the first in the obvious circumstance, that there may be a competition amongst the sellers as well as amongst the buyers. Where there is only one interest concerned in the monopoly, it may be to the advantage of the party to withhold his article from the market in times of dull demand, or even to destroy a part of it to enhance the value of the remainder; a policy which is said to have been pursued by the Dutch in the spice trade. But when a monopoly is in the hands of different individuals, with separate interests, such a line of policy is impracticable: for although it might be to the advantage of the whole body if the quantity of the monopolized article were proportionately reduced to each holder, yet as, by the supposition, there is no combination of interest, every individual finds it beneficial to dispose of all that he possesses. To destroy any part of it, would be to injure himself for the benefit of his brother monopolists. While on the one hand he is fenced in by an exclusive privilege or possession from the competition of the public, he is on the other

hand compelled by his own interest to bring to market the whole of his supply, and he is obliged by the same principle to produce the greatest supply in his power, so long as the average price pays him a higher profit than the ordinary employment of capital. It deserves to be remarked, that all commodities, which require any considerable period of time for their production, are liable to be occasionally forced into the class of articles owing their value to this second kind of monopoly, by a sudden alteration in the relative state of the demand and supply. Hence arises what is called by political economists market value. Should the relative demand for any of these commodities increase, as it could not, according to the supposition, be immediately answered by a correspondent supply, the possessors of the commodities would enjoy a temporary monopoly; for a while they would be protected from competition by the impossibility of producing a further quantity.

On the contrary, should the relative demand

decrease, the possessors of the commodities would be exposed to the necessity of bringing them to market at a reduced rate, especially if they were commodities of which the supply could be neither immediately stopped, nor adjusted to the new state of the demand. The holders, in this case, would be exposed to all the disadvantages incident to a monopoly in which there were separate interests. The competition amongst themselves would force the whole of their supply into the market.

Occurrences of this kind must not be considered as rare or unimportant. Mr. Tooke, in his recent valuable work "on the High and Low Prices of the Thirty Years, from 1793 to 1822," has most strikingly shown the frequency and extent of excesses and deficiences in the supply of corn, as well as the momentous effects which they occasion. These effects are all referable to the principle of a temporary monopoly. Foreign supplies being put out of the question, the holders of corn have obviously a monopoly of the article till

the ensuing harvest; and as it is an article which cannot be dispensed with, should the supply be less than usually required, the price may rise to an almost indefinite height. If, on the contrary, the supply should exceed the ordinary demand, which from the nature of the commodity admits of little augmentation, the holders suffer the disadvantages before described; the interest of each lies in the disposal of as large a quantity as possible, and the competition thus engendered infallibly brings down the value. The larger quantity may in this way become of less aggregate value than the smaller quantity at the previous high prices. Were the commodity in the hands of an individual, or, what is the same thing, individuals combined by one interest, this is a circumstance which could never occur.

Labour must be considered as falling under this class of exchangeable commodities, and as being determined in value by the same causes which operate on articles monopolized in the second method here described. If a man em-

ploy his capital in production, he must purchase labour, and the demand for labourers will therefore be in proportion to the capital destined for this purpose. But there are only a certain number of labourers in existence; these cannot for the time be either purposely increased or diminished, and they consequently possess a monopoly of their peculiar commodity. The greater the demand, therefore, for their labour, the higher it will rise, exactly as other monopolized commodities in the same circumstances. This monopoly, too, is attended with the disadvantages common to all monopolies in the hands of conflicting interests. Under all circumstances the labourers must live, and must therefore sell their labour; and should the demand for it decrease, as they cannot purposely diminish or keep back their numbers, competition will soon reduce the value of their labour.

Besides the general monopoly which the labourers naturally possess, and which may be advantageous or disadvantageous, according to

circumstances, [s]there are divers subordinate monopolies, occasioning labour to be paid after different rates. In trades, which require application for a greater or smaller period before they are learned, the workmen are evidently protected from immediate competition; and should there be an increase in the demand for their work, their labour would rise in value, and remain enhanced till more artizans possessed of their peculiar skill had been formed.

It scarcely needs to be mentioned, in this place, that although labourers cannot be purposely augmented or reduced in number by the application of capital, or its diversion into different channels, like material commodities, yet they may be augmented or reduced in another way. The high value of labour, compared with commodities in general, enabling the labourers to live in abundance, marriages are encouraged, or at least more children are reared, and population is increased; so that, after the lapse of a certain interval, the same effect is pro-

duced as if men could be purposely created. On the other hand, a material fall in the value of labour operates to check population by the penury and hardship which it spreads among the labouring classes; and the supply of labour becomes eventually adjusted to the demand by disease and death.

2. The second class of commodities embraces articles of more importance (with the exception of labour) than that which we have just considered. When a commodity is of a kind which admits of being increased by industry and competition, but only at a greater cost, the possessor of the cheaper means of producing it has evidently a monopoly to a certain extent, and the value of the commodity will depend on the principles already explained, until it reach such a height as will afford the ordinary profit to those who produce it at a greater expense. The same causes will be in operation, but instead of the value of the article having no assignable boundary, it will be limited by the watchful competition, which is

ever ready to act upon it the moment it has exceeded a particular point.

Under this head we may class the important articles of corn, raw produce in general, metals, coals, and several others. As one commodity, however, will elucidate the rest, we may confine our observations to the first.

The value of that corn which is produced on lands paying rent, is not, it is acknowledged, in proportion either to the capital or to the labour actually expended in its production. It must be owing, therefore, to some other cause; and the only other cause is the state of the supply and demand, or the competition of the purchasers. This competition might raise the price to an indefinite height, if it were not for the existence of other lands, which although they could produce corn only at a greater cost, would be brought into cultivation as soon as the price had risen sufficiently high to pay the ordinary profits on the capital required. It is, therefore, the possibility of producing corn, or the actual production of it, at a greater

cost, which forms the limit to its value. But although this is the limit beyond which its value cannot rise, it cannot be said to be the cause of its value. It is the cause of its being no higher, not the cause of its being so high. A perforation in the side of a vessel, at any distance from the bottom, would effectually prevent its being filled to a greater height with water, but it would be no cause of the water attaining that height. At the utmost it could be considered as only a joint cause of the result.

We accordingly find that the expression used by Mr. Ricardo on this subject is, not that the value of corn is *caused,* but that it is *regulated* by the cost of production on the least fertile lands. The owners of land of superior fertility enjoy a monopoly, which, however, does not enable them to raise their commodity indefinitely, according to the varying wants and caprices of mankind, but which is bounded by the existence of inferior soils.

It is simply out of this monopoly-value that rent arises. Rent proceeds, in fact, from the

extraordinary profit which is obtained by the possession of an instrument of production, protected up to a certain point from competition. If the owner of this instrument, instead of using it himself, lets it out to another, he receives from him this surplus of profit under the denomination of rent. In this view of the subject, the extraordinary profit might exist, although the land in cultivation were all of the same quality; nay, must exist before inferior land was cultivated; for it could be only in consequence of extraordinary gains obtained by the monopolizers of the best land, that capital and labour would be expended on soils of a subordinate order. Rent, therefore, might exist, while all the land under cultivation was of equal fertility. Perhaps it might not exist under these circumstances during any long period, but its existence at all would prove that it was the effect of monopoly, an extraordinary profit, and not the consequence of the cultivation of inferior soils.

The extraordinary profit out of which rent

arises, is analogous to the extraordinary remuneration which an artizan of more than common dexterity obtains beyond the wages given to workmen of ordinary skill. In so far as competition cannot reach them, the owner of the rich soil and the possessor of the extraordinary skill obtain a monopoly price. In the one case this monopoly is bounded by the existence of inferior soils, in the other of inferior degrees of dexterity.

It has been made a question, whether rent forms a component part of the price or value of produce. "Rent," says Mr. Ricardo, "does not and cannot enter in the least degree as a component part of its price." The expression is in reality figurative, and the only meaning of the assertion, that rent is a component part of price, must be, that it is one of the causes of the value of produce. But we have just seen that rent is a consequence of the extraordinary value of a monopolized commodity, and it cannot therefore be one of the causes of its value. Although not the cause of the value of

corn or other produce, rent must be an accurate representation of the additional value consequent on the monopoly of the land on which the corn is grown: therefore, if one part of the price of corn, from any particular land, is considered as representing the share of the labourer, another the share of the capitalist, the remainder, if any, will be representative of the rent; and it is probably this consideration which has led economists to speak of it as a component part of price. In whatever way the expression is used, it is at the best vague and indefinite, and ought to be banished from a science, which owes half its difficulties to the laxity and ambiguity of language.

3. The third class of commodities, those which can be increased by industry, and on which competition acts without restraint, are the next to claim our consideration.

The value of these commodities owes nothing to monopoly; what then are the causes which determine the quantities in which they are exchanged for each other?

There is, perhaps, at the bottom, little actual difference amongst economists as to these causes, but they do not agree either in their methods of explanation, or in the language they employ. It has been shown, that the immediate causes of value are the considerations which act on the minds of human beings, and that the circumstances, which form or furnish these considerations, must be the causes into which the economist has to inquire. Our present object, therefore, is to find those circumstances which act upon the mind with certainty and precision, in the interchange of commodities of the class under our notice.

A moment's reflection on the subject will suffice to discover, that the principal of these circumstances must be the cost of production. No man, who bestows his time and attention on the production of a commodity, will continue to produce it for the purpose of exchanging it against another commodity, which he knows costs less to the producer than his own: and, on the other hand, every producer will be willing

to sell as large a quantity of his commodity as he can dispose of at the same price as his fellow producers.

It is not, indeed, disputed, that the main circumstance, which determines the quantities in which articles of this class are exchanged, is the cost of production; but our best economists do not exactly agree on the meaning to be attached to this term; some contending that the quantity of labour expended on the production of an article constitutes its cost; others, that the capital employed upon it is entitled to that appellation. Let us look at the state of the facts. If a man exchanges an article which he has produced by a day's labour, for another article, also the produce of a day's labour, it is plain that the cost of production is the labour bestowed. If another man expends £100 in producing a quantity of cloth, that is, in the purchase of materials as well as in the wages of labour, and exchanges it for a quantity of linen which has cost his neighbour £100, the cost of production is the capital employed.

Cost of production may be, therefore, either a quantity of labour or a quantity of capital. What the labourer produces without capital, costs him his labour; what the capitalist produces costs him his capital.

Such appears to be the simplest view of the subject; but it is contended, that as the value of the capital itself has been caused by labour, it is more accurate to say, that cost of production consists in the quantity of labour. It must be recollected, however, that we are inquiring into the circumstances which determine men to give a certain quantity of one commodity for a certain quantity of another; and what really acts upon the minds of two capitalists in exchanging their respective goods, is not the labour which in a thousand different ways has been expended upon the articles constituting the capital employed, but the amount of capital which they have parted with, in order to obtain the commodity produced. So that granting for the present that the value of capital may be resolved (to use the common language on this

subject) into a previous quantity of labour, it would still be a correct statement of facts to say, that the cost of production consists in the quantity of capital expended: or to lay aside the term cost of production altogether, that the amount of capital expended is the cause which determines the value of the commodity produced.

It is impossible, under this view of the subject, to agree with the following passage in Mr. Mill's Elements of Political Economy.

"To say, indeed, that the value of commodities depends upon capital as the final standard, implies one of the most obvious of all absurdities. Capital is commodities. If the value of commodities, then, depends upon the value of capital, it depends upon the value of commodities; the value of commodities depends upon itself. This is not to point out a standard of value. It is to make an attempt for that purpose clearly and completely abortive*."

* Elements of Political Economy, p. 94, 2d edition.

This passage, which seems to have a tacit reference to the speculations of Col. Torrens, appears to me to show the power of words over the clearest and strongest minds. By the potent magic of a term, the value of commodities is first made something single and individual; and then it follows of course, that an individual thing cannot depend upon itself as a cause. But this is not asserted by those who contend that capital causes or determines value. The value of commodities may not be capable of depending on itself, but the value of one commodity, which is one thing, may very easily depend on that of another, which is a different thing; and if it did not in point of fact, there would be no logical absurdity in asserting it. He who maintains that the mutual value of two commodities is chiefly determined by the comparative quantity of capital expended in their production, undoubtedly maintains that it is determined by the value of preceding commodities; and this is quite consistent with the value of those preceding commodities having been de-

termined by their comparative quantities of producing labour, or by any other cause. The latter would be a step further back in the sequence of causes and effects. There can be nothing absurd in assigning one thing as the proximate cause of an effect, merely because it is possible that another may be assigned as its remote cause.

Mr. Mill's language, too, is unusually lax. He confounds the standard with the cause of value. The proposition, that the values of commodities are determined by the capitals expended in producing them, affirms a cause, but certainly does not point out any standard of value; nor would Mr. Mill's own doctrine furnish such an auxiliary. A standard, whatever meaning it may have in this connection, must at all events be something clearly defined and easily accessible; and if Mr. Mill purposes to set up the quantity of labour in a commodity from first to last, through all its various metamorphoses, in that capacity, it will be one seldom within his reach. In reality, however,

the preceding part of his section is occupied in proving labour to be the cause of value; and it is only at the conclusion that he deviates into this laxity of expression*.

It appears, therefore, that if we do not aim at undue generalization, but are content with a simple statement of facts, the value of objects, in the production of which competition operates without restraint, may be correctly stated to arise principally from the cost of production; and that cost of production may be either labour or capital, or both. Whatever the mere labourer produces costs him his labour: if a man is a capitalist as well as a labourer, what

* In the second edition of his Elements, Mr. Mill himself, in the section succeeding that containing the passage here animadverted upon, has distinctly pointed out the difference between what he calls "the regulator," and the measure of value, and has mentioned two circumstances which, he says, render it impossible that the former should be employed in the latter capacity. It is therefore surprising that he should have retained a passage, which confounds what he has subsequently taken express pains to distinguish.

he produces costs him both: if he is only a capitalist, it costs him only capital. In a civilized country instances of each kind may be found, but the mass of commodities are determined in value by the capital expended upon them.

The amount of capital is thus the chief, but by no means the sole cause of value. Other circumstances which have a regular influence, cannot with any propriety be excluded. The discredit, the danger, the disagreeableness of any method of employing capital, all tend, as well as pecuniary expenditure, to enhance the value of the product. The time, too, which a commodity requires before it can be brought to market, is another circumstance affecting value, and frequently to a considerable extent. It would be an extraordinary phenomenon, indeed, if, in the interchange of commodities, the minds of men should be influenced by one exclusive consideration: if, imbued as they are with feelings of shame, and fear, and impatience, and others not necessary to enumerate,

these passions should leave no regular traces of their operation in the daily business of production and exchange.

I have hitherto been contending, that even if capital could be resolved into previous labour, it would still be a correct statement of facts to say, that the value of commodities is chiefly determined by the capital expended upon them. It is an interesting inquiry, however, how far this doctrine, which we have taken for granted, is true, and I shall therefore proceed to examine its claims to be received in that character.

It is manifest that if the unqualified doctrine, as laid down by some writers, were correct, the value of any commodity would be strictly representative of the quantity of labour expended on its production from first to last. "If," as Mr. Mill expresses it, "quantity of labour in the last resort, determines the proportion in which commodities exchange for one another *;"

* Elements of Political Economy, p. 94, 2d edition.

or, as it is stated by the author of the Templars' Dialogues, "commodities are to each other in value as the quantities of labour employed in their production*;" or, as it is laid down by Mr. M'Culloch, "the exchangeable value, or relative worth of commodities, as compared with each other, depends exclusively on the quantities of labour necessarily required to produce them†;" then it follows, that any two commodities, which at any time exchange for each other (putting aside all fluctuations of market value), must have been produced by exactly the same quantity of labour. If a quarter of wheat is exchanged for a piece of linen, these two commodities must have required the same labour to bring them to the condition in which they are exchanged‡.

* Dialogue 1, passim.

† A Discourse on the Science of Political Economy, p. 66.

‡ This is stated in the strongest conceivable terms by the second-mentioned writer. "No cause can possibly affect the value of any thing, *i. e.* its exchangeable relation to

Now this cannot be true if we can find any instances of the following nature:

1. Cases in which two commodities have been produced by an equal quantity of labour, and yet sell for different quantities of money.
2. Cases in which two commodities, once equal in value, have become unequal in value, without any change in the quantity of labour respectively employed in each*.

Cases of the first kind are exceedingly numerous. Every one at all acquainted with manufactures must know, that there are in the same, as well as in different occupations, various degrees of skill and rapidity of execution

other things, but an increase or diminution of the quantity of labour required for its production: and the prices of all things whatsoever represent the quantity of labour by which they are severally produced; and the value of A is to the value of B universally as the quantity of labour which produces A to the quantity of labour which produces B."—London Magazine, April 1824, p. 352.

* This last case is resolvable into the first, but the subject will be better illustrated by keeping them distinct.

amongst artizans, various kinds and gradations of talent and acquirement, which enable some of them to earn double the money obtained by their less fortunate compeers in the same time. There are also circumstances of insalubrity, or disagreeableness, or danger, which affect the pecuniary recompense. The value of the articles produced by these various classes of workmen, and under these various circumstances, bears no proportion to the mere quantity of labour expended. It is no answer to this to say, with Mr. Ricardo, that "the estimation in which different qualities of labour are held, comes soon to be adjusted in the market with sufficient precision for all practical purposes;" or with Mr. Mill, that "in estimating equal quantities of labour, an allowance would, of course, be included for different degrees of hardness and skill." Instances of this kind entirely destroy the integrity of the rule. Difference of skill is a circumstance which practically affects value, as well as difference in quantity of labour, and therefore the

latter cannot, with any propriety, be said to be the sole cause of value.

What should we think of an assertion, that coats are to each other in value as the quantities of cloth contained in them, or that their comparative value depends exclusively on the quantities of cloth required to make them? And if it were added, that due allowances must be made for the different qualities of the cloth, where would be the truth or the utility of the first mathematically strict position? The proposition would, in fact, be reduced to its negative, that coats are *not* to each other in value as the quantities of cloth contained in them.

In Mr. Ricardo's language on the subject of the different qualities of labour, there is some inconsistency and much indistinctness. The second section of his first chapter is headed, "Labour of different qualities differently rewarded. This no cause of variation in the relative value of commodities." By this it is to be presumed he means, not what the words really imply, that the different compensation

given to labour of different qualities does not originally affect, the value of commodities, but that when the influence of this cause is once adjusted, it subsequently occasions no variation in value. In the body of the section, however, he softens this expression into "inconsiderable variation." "We may fairly conclude," says he, "that whatever inequality there might originally have been in them, whatever the ingenuity, skill, or time necessary for the acquirement of one species of manual dexterity more than another, it continues nearly the same from one generation to another; or at least that the variation is very inconsiderable from year to year, and therefore can have little effect for short periods, on the relative value of commodities."

It is, however, a mere assumption, that "the scale, when once formed, is liable to little variation;" nor, if this could be established, would it furnish any aid to the doctrine which we have at present under consideration. If the differences of skill in different employments are so

little variable as here represented, it proves only that they are circumstances which permanently affect value, and that it must be altogether incorrect to designate *quantity* of labour the sole cause, when *quality* of labour is so steady in its effects. This cause of value is, in fact, on precisely the same footing as any other. A variation in it, small or great, would occasion a corresponding variation in the value of the article on which the labour was employed; and however inconsiderable its effects may be, they cannot be consistently either denied or overlooked. The whole of the section appears to have been dictated by a lurking impatience of any thing which seemed to break into the beautiful simplicity of the rule, that value is determined by quantity of labour. Else why not freely allow the exceptions wherever they occur, and qualify the expression of the general rule accordingly *?"

* The only place in Mr. Ricardo's work, where I have been able to find the expression of the general rule pro-

But the most singular circumstance in this section is, that it unsettles all our notions respecting quantity of labour itself. The grand principle of Mr. Ricardo's work, which seemed as precise and definite as it could be, the doctrine that quantity of labour is the cause of value, which appeared to be fast anchored in the understanding, is unloosed from its moorings. We are here told of "the difficulty of comparing an hour's or a day's labour in one employment with the same duration of labour in another." The language of Adam Smith is quoted, to show "that it is often difficult to ascertain the proportion between two different quantities of labour. The time spent in two different sorts of work will not always determine this proportion."

If this be true, then quantity of labour has no determinate criterion, and Mr. Ricardo has

perly qualified, is the Index. He there says, "the quantity of labour requisite to obtain commodities the *principal* source of their exchangeable value."

proposed, not only as the cause but the measure of value, that which is itself unascertainable. There are only two possible methods of comparing one quantity of labour with another; one is to compare them by the time expended, the other by the result produced. The former is applicable to all kinds of labour; the latter can be used only in comparing labour bestowed on similar articles. If therefore, in estimating two different sorts of work, the time spent will not determine the proportion between the quantities of labour, it must remain undetermined and undeterminable.

2. We are furnished with cases of the second kind (namely, those in which two commodities, once equal in value, have become unequal in value without any change in the quantity of labour respectively employed in aech) by Mr. Ricardo himself.

Take any two commodities of equal value, A and B, one produced by fixed capital and the other by labour, without the intervention of machinery; and suppose, that without any change

whatever in the fixed capital or the quantity of labour, there should happen to be a rise in the value of labour; according to Mr. Ricardo's own showing, A and B would be instantly altered in their relation to each other; that is, they would become unequal in value. At the former period being equal in value, they must, according to the doctrine under consideration, have been the products directly or indirectly of equal quantities of labour; but if at the latter period their values were taken as representative of the relative quantity of labour expended on each, the result obtained would be, that they were the products of unequal quantities of labour. The doctrine, therefore, that the values of commodities are representative of the respective quantities of labour required for their production, which is a direct corollary from the proposition that commodities are to each other in value as is their producing labour in quantity, cannot possibly be true.

This again, it may be said, is allowed by Mr. Ricardo and his followers: but if they

allow it, why persist in calling quantity of labour the sole determining principle of value? Why attempt to give the science an air of simplicity which it does not possess?

To these cases we may add the effect of time on value. If a commodity take more time than another for its production, although no more capital and labour, its value will be greater. The influence of this cause is admitted by Mr. Ricardo, but Mr. Mill contends, that time can do nothing; "how then," he asks, "can it add to value?" "Time," he continues, "is a mere abstract term. It is a word, a sound. And it is the very same logical absurdity to talk of an abstract unit measuring value, and of time creating it*."

The alleged absurdity, however, will disappear, if we recur for a moment to the mental operation implied in every creation of value. The time necessary to produce a commodity,

* Elements of Pol. Econ. p. 99, 2d edition. The credit of this argument, however, is due to Mr. M'Culloch, whose authority is cited by Mr. Mill.

may, equally with the requisite quantity of labour, be a consideration which influences the mind in the interchange of useful or agreeable articles. We generally prefer a present pleasure or enjoyment to a distant one, not superior to it in other respects. We are willing, even at some sacrifice of property, to possess ourselves of what would otherwise require time to procure it, without waiting during the operation; as of what would require labour, without personally bestowing the labour. If any article were offered to us, not otherwise attainable, except after the expiration of a year, we should be willing to give something to enter upon present enjoyment. On the part of the capitalist, who produces and prepares these articles, the time required for the purpose is evidently a consideration which acts upon his mind. If the article is wine, he knows that the quality is improved by keeping; he is aware that the same excellence cannot be imparted to any wine, without the employment of capital for an equal period; and that people will be found to give

him the usual compensation rather than employ their own capitals in producing a similar result. Thus time is really a consideration which may influence both buyers and sellers; nor is it necessary here to enter into any metaphysical inquiry into its nature in order to prove its effects.

The author of the Elements of Political Economy has made a curious attempt to resolve the effects of time into expenditure of labour. "If," says he, "the wine which is put in the cellar is increased in value one tenth by being kept a year, one tenth more of labour may be correctly considered as having been expended upon it *."

Now if any one proposition can be affirmed without dispute, it is this, that a fact can be correctly considered as having taken place only when it really has taken place. In the instance adduced, no human being, by the terms of the supposition, has approached the wine, or spent upon it a moment or a single motion of his

* Elements, p. 97, 2d edition.

muscles. As therefore no labour has been really exercised, in any way relating to the wine, a tenth more of labour cannot be correctly considered as having been expended upon it, unless that can be truly regarded as having occurred which never happened.

Doctrines of this kind, which attempt to reduce all phenomena to a uniform expression, ought to be rigidly scrutinized. In the present instance, the eminent writer just quoted appears to have been seduced by a preceding false generalization, that, namely, which designates capital as accumulated or hoarded labour. This is at best an aukward mode of expression, which can answer no good purpose. When we accumulate we add one thing to another, and it is essential to the process, that both should remain in existence. But labour, consisting in the mere exertion of muscular power, or in the equally evanescent motions of the brain, continually perishes in detail, and therefore admits of no accumulation. It may be alleged, nevertheless, that when a series of days' labour

has been bestowed on any article, we may fairly say that there has been an accumulation of labour; one day's labour has been added to another day's labour till they have amounted to a given number, suppose, for example, a hundred. The only accumulation here, however, is not an actual but an arithmetical one, and admitting the accuracy of the expression in this sense, it amounts to this, that a hundred days' labour is an accumulation of labour, not that the article produced is accumulated labour. The article produced is the result of labour, not labour itself. To designate capital or commodities by the term accumulated labour is to call the effect an accumulation of the cause.

In a rhetorical declamation, in the compressed and vigorous eloquence of a great mind disclosing its own comprehensive views by a few master strokes of expression, such an identification of cause and effect is often a positive beauty. The "Knowledge is power" of Lord Bacon, is felicitous and forcible: but in philosophical discussion, phrases of this kind as

grounds of reasoning, or as correct expressions of fact, mislead the mind intent on the pursuit of truth; and I have no fear, that to those who are adequately aware of the importance of words in all moral and political researches, the objection, which I have urged to the language under consideration, will either appear frivolous or unfounded.

In this attempt to show that the value of capital cannot be traced entirely to the quantity of producing labour, I have taken into view those commodities only, the production of which is perfectly free to competition: and so far as we have proceeded, the strictures, which I have ventured to offer, apply rather to the manner in which the doctrine is asserted than to any thing actually maintained by its supporters. But the great defect of this theory is, its overlooking the important fact, that capital consists, not only of commodities of this class, but also of the commodities belonging to the other two classes of our enumeration. To assert, that the value of capital may be resolved into quantity of la-

bour, is to lose sight both of the modifications generally admitted, and, what is of far greater moment, of causes which extend themselves in every direction through the mass of exchangeable products.

It must be recollected, that although we have arranged commodities under three divisions, yet they are all, not only promiscuously exchanged for each other, but blended in production. A commodity, therefore, may owe part of its value to monopoly, and part to those causes which determine the value of unmonopolized products. An article, for instance, may be manufactured amidst the freest competition out of a raw material, which a complete monopoly enables its producer to sell at six times the actual cost; and the quantity of the raw material necessary might be so proportioned to the quantity of labour required to work it up, that they would equally contribute to the value of the finished fabric. In this case it is obvious, that although the value of the article might be

correctly said to be determined by the quantity of capital expended upon it by the manufacturer, yet no analysis could possibly resolve the value of the capital into quantity of labour. Nor must it be supposed that is this a case of rare occurrence. In scarcely any instance could the value of capital be traced to the quantity of labour as its only source, liable as every process of production is to the intrusion of articles deriving their value from other causes.

Hence for those economists, who object to the doctrine of the value of commodities being chiefly determined by the quantity of capital expended in their production, that it does not satisfy the whole of the inquiry, since they want to know what has determined the value of the capital, the answer is easy. The value of the capital was probably determined by the value of preceding capital, which was in its turn determined by preceding capital in the same manner. Does any one ask, what determined the value of the first of these capitals, trace them as far

back as we will? I answer, perhaps monopoly, perhaps the quantity of labour, or perhaps the value of labour; or possibly some combination of these.

Let us take, for example, a piece of linen. The value of this has been proximately determined by the capital expended in its manufacture. The capital expended consisted, we will suppose, of food for the workmen and flax as the material. We have then to inquire what has caused the value of the food and the flax; and we might find it to be owing to the labour expended in raising it, or more probably to a monopoly possessed by the owners of land. In the former case it may be urged, the value of the capital is ultimately resolvable into the quantity of producing labour; and not the less so in the latter, since the value of the produce grown on superior soils is determined by the value of that grown on lands not coming under any description of monopoly, or in other words paying no rent. But it does not follow in the first case, that the value of the produce should

have been determined by the mere quantity of labour: it may have been affected by the value of that labour, since the skill of those concerned in raising it may have been better paid than in other employments, or have done the work with half the usual number of hands, or there may be some peculiarity of hardship, arising from the nature of the employment itself. In the second case, if the value of produce from a superior soil is regulated by the quantity of labour necessary to raise the same kind on inferior soils, it is not determined by the labour actually employed in raising such produce, and therefore the value of the produce is not resolvable into quantity of labour.

Hence it appears, that the value of capital may possibly be traced to quantity of labour as its origin, but it is not necessarily traceable to it; and we therefore could not pronounce, that because A and B are equal in value, these two articles have been either directly or indirectly the products of equal quantities of labour, although no other circumstance existed

to render such a conclusion erroneous. If two samples of corn of equal quality, but from different soils, were submitted to us, and we were told that their prices were equal, we could not pronounce with any certainty that they were the results of equal labour. One might have been produced by a fourth part of the labour required for the other, and yet they are of the same value. If gold and corn, or cloth and corn, were compared in the same way, there would be a similar impossibility of telling that portions of these commodities of equal value had been produced by equal quantities of labour.

We shall now be prepared to take a general survey of Mr. Ricardo's doctrine on the subject of the causes of value, and estimate it at its real worth. He commences by stating, that "commodities derive their exchangeable value from two sources: from their scarcity, and from the quantity of labour required to obtain them." Articles of the first kind he regards as comparatively unimportant, and therefore professes to

restrict his inquiries to "such commodities only as can be increased in quantity by the exertion of human industry, and on the production of which competition operates without restraint." Instead, however, of confining himself to these commodities, he enters into the consideration of the value of labour, of corn, of gold, and of other articles, in the production of which competition certainly does not operate without restraint; but which he is obliged to bring under that head, from the imperfect classification with which he sets out. According to his own division, the value of these things should be determined by the quantity of labour necessary to produce them: but of none of them can this be asserted; for the value of labour can in no sense be said to be determined by the quantity of labour necessary to produce it: the value of corn in general is determined, on his own principles, by the quantity of labour required to raise corn on the worst soils in cultivation, and not by the quantity of its own producing labour; and in the same way the

value of gold itself depends, not on the labour necessary to produce every individual portion of it, but on the labour necessary to extract it from the least fertile mines that are worked.

Mr. Ricardo did not, evidently, allow sufficient importance to that source of value which he calls scarcity; nor did he consistently bear in mind, that it was the very same principle which enabled the owner of land, or of mines, of more than common fertility, to raise the value of their articles beyond what would afford the customary profit. Instead of scarcity, or, in other words, monopoly, or protection from competition, being an unimportant source of value, and the commodities which owe their value to it forming a very small part of the mass of commodities daily exchanged in the market, we have seen that it is a most extensive source of value, and that the value of many of the most important articles of interchange must be referred to this as its origin.

With regard to the causes of the value of

these commodities, which are left in every way perfectly free to competition, the practical truth inculcated by Mr. Ricardo is this, that if the quantity of labour necessary for the production of a commodity is increased or decreased, it rises or falls in value in relation to other commodities, of which the quantity of producing labour is not altered. This, however, is a truth not dependent on the quantity of labour being the sole cause of value, but on its being one of the causes. The same is true of every other cause of value. Any effect is necessarily increased if we increase any of its causes.

Mr. Ricardo, indeed, explicitly allows the influence of other causes, such as time, differences in the proportion of fixed and circulating capital, and inequalities in the durability of capital, by which he admits the value of commodities is liable to be affected.* Notwithstanding these modifications, however, his followers continue to lay down the position of quantity of labour being the sole cause of value in the most precise and positive terms; not that they

deny the exceptions, but they appear to lose sight of their existence, and frequently fall into language incompatible with their admission; while they altogether overlook the source of value to be found in partial or incomplete monopolies, and the intermixture in production of commodities which are indebted for their value to different causes.

On a review of the subject it appears, that economists attempt too much. They wish to resolve all the causes of value into one, and thus reduce the science to a simplicity of which it will not admit. They overlook the variety of considerations operating on the mind in the interchange of commodities. These considerations are the causes of value, and the attempt to proportion the quantities in which commodities are exchanged for each other to the degree in which one of these considerations exists, must be vain and ineffectual. All in reality that can be accomplished on this subject is to ascertain the various causes of value; and when this is done, we may always infer, from

an increase or diminution of any of them, an increase or diminution of the effect. If Mr. Ricardo, as his admirers allege, has really enriched the science of political economy with any new and important truths (a point which this is not the place to decide), we may safely pronounce that they are not inferences from the doctrine, that the quantity of labour employed in the production of commodities is the sole determining principle of their value. It may be affirmed, without any hazard of error, that there is not one of them, whatever they may be, which would not equally flow from the more accurate proposition, that it is the principal cause. A false simplification in matters of fact can be of no service, and can only tend to perplex the mind of the inquirer by those perversions of language, those distortions of expression, and those circuitous expedients of logical ingenuity, which it unavoidably engenders.

NOTES AND ILLUSTRATIONS.

NOTE A (*page* 38).

Mr. Ricardo introduces his notion of real value in a somewhat obscure and indirect manner.

He gives us no formal preliminary definition or explanation of the term, and had not perhaps, at the outset, defined it clearly in his own mind, although the idea seems to have mingled itself with all his speculations. In the opening of his book, the only kinds of value which he points out are value in use and value in exchange, as distinguished by Adam Smith; the latter of which is defined to be the power of purchasing. At the third page, nevertheless, we find another kind of value introduced, without comment or explanation, in an extract from the Wealth of Nations. "The *real price* of every thing, what every thing really costs to the man who wants to acquire it, is the toil and trouble of acquiring it. What every thing is *really worth* to the man who has acquired it, and who wants to dispose of it, or exchange it for something else, is the toil and trouble which it can save to himself, and which it can impose upon other people."

In adopting this passage, however, Mr. Ricardo makes no use of the new kind of value introduced to his readers, and we hear nothing more of real value, till he applies the epithet to the value of wages, in the sense mentioned in the text. See pages 11 and 12 of the Principles of Pol. Econ. and Taxation, third edition. At page 15 he introduces another kind of value, which he terms "absolute," in a sense which I have not been able to seize, but this is only incidentally, and no consequences are deduced from it. At page 41 he says, "when commodities varied in relative value, it would be desirable to have the means of ascertaining which of them fell and which rose in *real value*." This appears to be the first passage in which relative value and real value are fairly placed in contrast; and we gather from it, that the value, which he calls *real*, is not of a relative nature. We subsequently come to the passage quoted in the text, wherein he uses the phrase real value as synonymous with the quantity of labour and capital employed in producing a commodity: whence it follows, that the real value of an object has no relation to the quantity of any other object which it will command, but solely to the cost of production, or rather it is the cost of production itself. If the cost of production is always the same, the real value is always the same.

It may perhaps be contended, that Mr. Ricardo had a right to use the term real value in any sense he chose, and that all which could be required of him was consistency in

its employment. Conceding this for the sake of argument, we may yet remark, that it is an apology inapplicable in the present case, because he had already given us his definition of value, and was therefore bound to adhere to it, by the very principle here supposed to be offered in extenuation.

If he had a right to use the term in any sense he pleased, he had no right to destroy the essence of his own definition by an epithet annexed to the term defined. His definition of the term, as the power of purchasing, makes it essentially relative to something to be purchased, and it is annihilating his own meaning to transmute value, by the force of an epithet, into something in which no relation of this kind is implied.

It may still possibly be urged, that Mr. Ricardo is not liable to the charge of having deviated from his definition of *value*, that he has strictly adhered to one meaning, and that the term *real* has not the neutralizing effect here assigned to it. If this were true, we might of course substitute the definition for the term, which would yield some curious results. The real value of an object in this case must be its real power of purchasing or commanding other objects in exchange; and we have already seen, that a power of commanding in exchange can be expressed only by a quantity of the commodity commanded. What then is the commodity in which *real value* can be expressed? Mr. Ricardo tells us, that the value of a thing in money, hats, coats, or corn, is only nominal value. In what commodity then shall

we express real value? His answer must be, in none. This illustration is itself sufficient to show, that Mr. Ricardo's notion of real value is totally irreconcilable and incompatible with his previous definition of the only kind of value of which he professes to treat. The argument is short and conclusive: value, as the power of purchasing, can be expressed only by a quantity of the commodity to be purchased—real value cannot be so expressed—therefore value and real value are used in senses incompatible and contradictory.

In a foot-note to the text we have stated, that real value, as used by Mr. Ricardo, has no relation to any commodity unless it be to an imaginary one; namely, a commodity produced by an invariable quantity of labour. But it must be observed, that if we had such a commodity, it would still not enable Mr. Ricardo or any body else to furnish an expression of real value; it would only enable him to express a *variation* in real value. For suppose gold to be such a commodity, and take any point of time, for example A. D. 1600: suppose further, an object A to be worth at that period so much gold, so much corn, so much cloth: in this case, the value of A in gold would have no more claim to the title of real value (even on Mr. Ricardo's or any other person's theory) than its value in corn or cloth. But we next compare the value of A in gold, corn, and cloth, in the year 1800, and we find that it is worth only half as much gold, although worth as much corn as before,

and worth more cloth. Here then, according to Mr. Ricardo's doctrine, A has fallen to half its former real value, because worth only half as much gold, which by the supposition is invariable in real value. But although we can tell how much A has fallen in real value, we are no nearer obtaining an expression of real value than we were before. Still the value of A in gold would be no more its real value, than the value of A in corn or cloth. Hence it is plain, that real value, in Mr. Ricardo's sense, is not value in relation to any commodity whatever: consequently it does not mean power of purchasing, and Mr. Ricardo has used the word value, when coupled with the epithet real, in an acceptation which excludes the whole of his own definition.

The same remarks will apply to Mr. Malthus's notion of absolute value. "If we could suppose," says he, "any object always to remain of the same value, the comparison of other commodities with this one would clearly show which had risen, which had fallen, and which had remained the same. The value of any commodity, estimated in any measure of this kind, might with propriety be called its absolute or natural value," &c. &c.—*The Measure of Value stated and illustrated*, page 2.

To pass over the inconsistency already exposed, of supposing a commodity to remain of the same value, and to take it as implying constancy in the circumstances of its production, it is evident, that, at an assigned period, the

value of any commodity A, in this invariable commodity which we may term X, would have no more right to the appellation of real value than the value of A in any other commodity. Assume another period, and the same remark would be applicable: if commodities had varied in the circumstances of their production, the change in their value to X would show such variation, which Mr. Malthus calls a variation in their absolute value, but still their value in X would not be absolute value, in Mr. Malthus's sense, any more than their value in B, C, or D.

It is to be remarked, that Mr. Ricardo is any thing but consistent in the use of the term under consideration, or of the doctrine which it implies.

In fact, the more I examine his writings, the more I am convinced that he had not formed any clear notions on the subject, that there was a radical confusion in his views regarding it.

It is only occasionally that he intimates to his readers that he is speaking of real value: in general he professes to be speaking of "exchangeable value," sometimes of "relative value," as contradistinguished from that which is "absolute" and "real."

It is, in truth, curious to note the different kinds of value of which he speaks in the course of his speculations. The following enumeration will show how far he is entitled to credit for the precision of his language and ideas on this subject.

	Page
Value in use....................	1
Value in exchange, or exchangeable value............................	1, 4.
Real Ditto	11, 41, 50.
Absolute Ditto......................	15.
Relative Ditto......................	15, 41.
Nominal Ditto.......................	50.
Natural Ditto........................	80, 85.

If the view of the subject unfolded in these pages is at all correct, all these epithets (except perhaps the last) may be at once swept away. Even the adjunct exchangeable is tautological, the term value implying in itself a relation in exchange, or the power of commanding in exchange, and consequently any epithet which merely expresses the same idea being perfectly superfluous. The word, too, is ill adapted to convey the meaning imposed upon it. It is easy to understand what an exchangeable commodity is; a commodity, namely, which is capable of being exchanged: and this is the proper meaning of the epithet; but what is meant by an exchangeable value is not so clear. The words import a value capable of being exchanged; and although it is possible to speak of exchanging the value of A for the value of B without absolute absurdity, yet this is evidently not the sense in which the epithet is employed. All that is meant by it is value in exchange, and not value capable of being exchanged. The same epithet is sometimes

coupled with the term relation in which case the impropriety is still more glaring. It would be difficult for the greatest ingenuity to find out any way in which the relation between two commodities can be capable of being exchanged. If it were permitted to introduce a new term, perhaps the epithet *exchangive* might be useful to mark the particular kind ot relation which we are now obliged to designate by the phrase "relation in exchange." The *exchangive* relation of a commodity would be less objectionable than the *exchangeable* relation; and if this term were adopted, it would supply a deficiency which most writers on political economy must have occasionally felt.

In the text, I have noticed the improper use of the terms real and nominal value, in our English economists only. The celebrated French writer, M. Say, commits precisely the same error.

"If different commodities," says he, "have fallen in different ratios, some more, others less, it is plain they must have varied in relative value to each other. That which has fallen, stockings for instance, has changed its value relatively to that which has not fallen, as butcher's meat; and such as have fallen in equal proportion, like stockings and sugar in our hypothesis, have varied in *real*, though not in *relative* value. — There is this difference between a real and a relative variation of price; that the former is a change of value, arising from an alteration of the charges of production; the latter, a change arising from

an alteration of the ratio of value of one particular commodity to other commodities." — *Treatise on Pol. Econ. translated by C. R. Prinsep*, book ii, chap. 3.

NOTE B (*page* 61).

The source of such barren and paradoxical propositions as are noticed in the text, is to be found in the notion of real value; and that notion being conceded as a preliminary, these propositions logically follow from it. We must look for the original fallacy therefore in the notion itself, the intrinsic inconsistency of which has been already sufficiently exposed.

NOTE C (*page* 70).

To avoid misconception it may be necessary to state, that in this and the preceding chapter it has been intended simply to explain the nature of a rise in the value of labour and a rise in profits, not the causes on which they depend, or the way in which they actually take place. In maintaining that there is no inconsistency in supposing a simultaneous rise of labour and of profits, I profess not to enter into the question whether such a rise does ever or can ever take place, but contend solely, that in cases of improved productive power, the product might be so divided, that the rate of profits should be increased, while the value of labour was enhanced; and that this would be ne-

cessarily the result, were the product divided in the way described in the hypothetical case adduced by Mr. Ricardo.

NOTE D (*page* 103).

The universality of the supposition, that a commodity must itself be invariable in order to serve as a measure of value, will appear from the following extracts.

" As a measure of quantity, such as the natural foot, fathom, or handful, which is continually varying in its own quantity, can never be an accurate measure of the quantity of other things ; so a commodity, which is itself continually varying in its own value, can never be an accurate measure of the value of other commodities. Equal quantities of labour at all times and places, may be said to be of equal value to the labourer. In his ordinary state of health, strength, and spirits, in the ordinary degree of his skill and dexterity, he must always lay down the same portion of his ease, his liberty, and his happiness. The price which he pays must always be the same, whatever may be the quantity of goods which he receives in return for it.

Of these, indeed, it may sometimes purchase a greater and sometimes a smaller quantity ; but it is their value which varies, not that of the labour which purchases them.

At all times and places, that is dear which it is difficult to come at, or which it costs much labour to acquire ; and that cheap which is to be had easily, or with very little labour. Labour alone, therefore, never varying in its own

value, is alone the ultimate and real standard by which the value of all commodities can at all times and places be estimated and compared." — *Wealth of Nations, by Adam Smith*, book i, chap. 5.

"That money, therefore, which constantly preserves an equal value, which poises itself, as it were, in a just equilibrium between the fluctuating proportion of the value of things, is the only permanent and equal scale by which value can be measured." — *An Inquiry into the Principles of Pol. Econ., by Sir James Stuart,* book iii, chap. 1.

"Incapacities of the Metals to perform the Office of an invariable Measure of Value." — *Ibid.* Title to chap. iii, book 3.

"As nothing can be a real measure of magnitude and quantity, which is subject to variations in its own dimensions, so nothing can be a real measure of the value of other commodities, which is constantly varying in its own value." — *An Inquiry into the Nature and Origin of Public Wealth, by the Earl of Lauderdale*, page 25, second edit.

"Le principal caractère d'un *mesure* est d'être *invariable*. C'est en appliquant successivement une mesure invariable à des quantités variable, qu'on peut se former une idée de leur rapports; mais quand on applique une mesure variable à des quantités qui le sont aussi, on n'apprend rien. Une poignée, une coudée, ne sont pas des mesures propre à comparer les dimensions, puisqu'elles varient dans chaque individu; il en serait de même d'un nu-

méraire dont la valeur varierait soit dans le même temps dans différens endroits, soit dans le même endroit dans différens temps; il ne pourrait guere servir à mesurer d'autres valeurs." — *Cours D'Economie Politique, par Henri Storch*, Première Partie, liv. v, chap. 2.

" Silver is more valuable, when it will purchase a large quantity of commodities, than when it will purchase a smaller quantity. It cannot, therefore, serve as a measure, the first requisite of which is invariability." — *A Treatise on Pol. Econ., by J. B. Say, translated from the French, by C. R. Prinsep,* book i, chap. 21.

" When commodities varied in relative value, it would be desirable to have the means of ascertaining which of them fell and which rose in real value, and this could be effected only by comparing them, one after another, with some invariable standard measure of value, which should itself be subject to none of the fluctuations to which other commodities are exposed." — *Principles of Pol. Econ. and Taxation, by D. Ricardo, Esq.*, page 42, third edition.

" Labour, like all other commodities, varies, from its plenty or scarcity compared with the demand for it, and at different times, and in different countries, commands very different quantities of the first necessary of life; and further, from the different degrees of skill, and of assistance from machinery with which labour is applied, the products of labour are not in proportion to the quantity exerted. Consequently, labour, in any sense in which the term can

be applied, cannot be considered as an accurate and standard measure of real value in exchange." — *Principles of Pol. Econ., by Rev. T. R. Malthus*, page 125.

It is to be remarked, that in the preceding passage, Mr. Malthus rejects labour as an accurate measure of value, because it is *not* invariable. In his pamphlet on this subject he has altered his views, and maintains labour to be an accurate measure, because it *is* invariable. In both cases he proceeds equally on the doctrine, that invariableness of value is necessary in a measure of value.

"A standard, by a reference to which we may ascertain the fluctuations in the exchangeable power of other things, must itself possess an exchangeable value fixed and unalterable.

"Nothing can be an accurate measure of value, except that which itself possesses an invariable value."— *An Essay on the Production of Wealth, by R. Torrens, Esq.*, pages 56 and 59.

"There is no point so difficult to ascertain as a variation of value, because we have no fixed standard measure of value; neither nature nor art furnish us with a commodity, whose value is incapable of change; and such alone would afford us an accurate standard of value."— *Conversations on Pol. Econ., by Mrs. Marcet*, page 330.

"Money, that is, the precious metals in coin, serves practically as a measure of value, as is evident from what has immediately been said. A certain quantity of the precious

metal is taken as a known value, and the value of other things is measured by that value; one commodity is twice, another thrice the value of such a portion of the metal, and so on.

"It is evident, however, that this can remain an accurate measure of value only if it remains of the same value itself. If a commodity, which was twice the value of an ounce of silver, becomes three times its value; we can only know what change has taken place in the value of this commodity, if we know that our measure is unchanged."—*Elements of Pol. Econ., by James Mill, Esq.* second edit., page 108.

"A standard is that which stands still, while other things move, and by this means serves to indicate or measure the degree in which they have advanced or receded.*** And a standard of value must itself stand still, or be stationary in value."—*The Templars' Dialogues on Pol. Econ.*, London Magazine, May 1824, page 558.

"That great desideratum in political economy, an uniform measure of value."—*Observations on the Effects produced by the Expenditure of Government, by Wm. Blake, Esq.*

It will not be thought uninteresting to examine what notions on the subject of a measure of value were entertained by so clear a thinker as Locke. He considered, that the value of commodities is determined by "the proportion of their quantity to the vent;" that the vent of money being

always "sufficient and more than enough,"—"its quantity alone is enough to regulate and determine its value, without considering any proportion between its quantity and vent, as in other commodities." Hence he argues, that so long as the quantity of money in a country remains the same, its value is invariable, and it will serve to measure the varying value of other things. In his own words—

"Money, whilst the same quantity of it is passing up and down the kingdom in trade, is really a standing measure of the falling and rising value of other things, in reference to one another: and the alteration of price is truly in them only. But if you increase or lessen the quantity of money current in traffic, in any place, then the alteration of value is in the money: and if, at the same time, wheat keep its proportion of vent to quantity, money, to speak truly, alters its worth, and wheat does not, though it sell for a greater or less price than it did before. For money, being looked upon as the standing measure of other commodities, men consider and speak of it still as if it were a standing measure, though, when it has varied its quantity, it is plain it is not."

In this passage may be remarked the same error, that I have pointed out in other economists, of supposing an alteration in value can take place in one commodity, while the commodity compared with it remains the same; "money alters its worth and wheat does not." Yet in the subsequent paragraph, the sound sense of this profound

reasoner carried him to the truth, although into some apparent inconsistency; for he adds, "But the value or price of all commodities, amongst which money passing in trade is truly one, consisting in proportion, you alter this, as you do all other proportions, whether you increase one, or lessen the other."—*Considerations on the lowering of Interest and raising the Value of Money.*

It may be further remarked on the former of these passages, that, taking him on his own theory, the measure which he describes, like the measures of other economists, would not enable us to ascertain any variations of value, for these are necessarily exhibited in the prices of commodities, but would indicate in which commodities the changes originated. While money remained unaltered as to the causes of value operating upon it, which it would do on his principles as long as it remained the same in quantity, all variations in the prices of commodities must necessarily proceed from alterations in the proportion between the quantities of such commodities and their vent, and this is all that, under the circumstances supposed, Mr. Locke's standing measure would show.

On reviewing this subject from first to last, it appears to me, that nearly the whole of the vagueness, confusion, and perplexity in which it has been involved, may be traced to an unconscious vacillation between two distinct ideas. There are evidently two senses in which the term measuring value is employed, and it is the unconscious passing

and repassing from one to the other, which has been the source of the mischief: one of these senses, and the only proper sense, is, ascertaining the mutual value of two commodities by their separate relations to a third; the other is, ascertaining, when two commodities have varied in value, in which of them the variation has originated. The transition from one of these ideas to the other is, I think, perceptible in the doctrine examined in the text, that money is a good measure of value for commodities at the same time, but not for commodities at different times. In the first part of this proposition, the term measure is used in the former sense, and it is meant to assert, that the value of commodities to each other is shown by their prices, or values in money. In the latter part of the proposition, a transition is made to the second meaning, and it is intended to say, that the value of a commodity in money at different periods does not show whether there has been any alteration in the circumstances of its production; whether any variation in its price has originated with it, or with the money in which its value is expressed. If we do not suppose this transition to be made, but that one sense is rigidly adhered to, the proposition is liable to all the objections brought against it in the text.

It is probably the latter construction of the term measure, under which invariableness has been so generally supposed requisite. But this, as is shown in the course of the present chapter, would not be invariableness of value, but in-

variableness of cost, or invariableness in the circumstances of production; and what would be measured by it would be that cost, or those circumstances, and not value.

NOTE E (*page* 133).

The reasoning in the text shows, that on the supposition that commoditities were to each other in value as the quantities of labour required to produce them, any commodity produced by labour alone, however variable the quantity of that labour, would enable us to ascertain all that Mr. Ricardo regards as to be derived exclusively from a commodity produced by an invariable quantity of labour; provided a register were kept of the varying quantities of the producing labour required. In both cases, the prices of the standard (if we may so call it) at different periods, would be equally necessary. In the one case, the circumstance of invariableness in the labour expended would save the trouble of keeping such a register, and simplify our calculations; but in the other case, the result would be attained, if not with equal ease, at least with equal certainty.

NOTE F (*page* 150).

The author of the Templars' Dialogues has also examined this table, but it appears to me that he has fallen

into some singular misconceptions of Mr. Malthus's meaning. At least he has construed it differently from what it is represented in the text, and consequently either he or myself must be in error — possibly the latter. I can only say, that I have been at pains to understand and scrupulous not to misrepresent the scope of Mr. Malthus's argument. At the same time I must confess, that with all the patient attention which I have given to the speculations of the latter, there are many parts of "The Measure of Value stated and illustrated" which I am unable to comprehend.

NOTE G (*page* 15).

It is to be observed, that many writers consider measuring and expressing value as the same thing. This is directly maintained by M. Say, in the following passage.

"Quant à la mesure de la valeur de deux objets qui sont en présence, leur deux valeurs se mesurent l'une par l'autre. Si l'on a dix livres de blé pour une livre de café, le café vaut dix fois autant que le blé; et chacune de ces choses est la mesure de l'autre. La monnaie n'a à cet égard aucun privilége. Trente sous sont la valeur d'une livre de café, et une livre de café marque la valeur des trentes sous aussi bien que les diverses choses que l'on peut acquérir avec cette monnaie." — *Note in M. Say's Edition* (page 124, vol. i) *of "Cours d'Economie Politique, par Henri Storch."*

It is not correct, however, to regard these two opera-

tions as identical. To measure, implies, either directly or indirectly, the ascertainment of a ratio between two objects by the intervention of a third. We say, it is true, that we have measured the length of a building, when we have found its ratio to a yard or a foot, but this is because the length of other objects in feet is known to us, and therefore, when we have the length of the building in feet, we have it in a common denomination: the ratio of the building to the foot, determines its place in the common scale; or, in other words, determines its ratio to a variety of other objects. We should scarcely consider the length of a building to be measured, if its ratio was determined only to a staff or rod, the length of which in relation to any other object could not itself be ascertained.

In the same way, when we say the value of a commodity A is measured when expressed in money, it is because we know already the relations in value between money and a variety of other commodities, and therefore the value of A in money instantly determines its relation to all these objects. The idea of intermediation is still implied. But although to express the value of a commodity in money may thus be considered as equivalent to measuring it, we could not with propriety apply the latter term to the expression of the value of a commodity in another commodity of no known or ascertainable relation to any thing else.

The following passage from one of Locke's able tracts on

raising the value of money, so accurately describes the only process which can be termed with propriety measuring value, that I cannot resist the temptation of inserting it here in confirmation of my own views.

"By this measure of commerce, *viz.* the quantity of silver, men measure the value of all other things. Thus to measure what the value of lead is to wheat, and of either of them to a certain sort of linen cloth, the quantity of silver that each is valued at, or sells for, needs only be known; for if a yard of cloth be sold for half an ounce of silver, a bushel of wheat for one ounce, and a hundred weight of lead for two ounces; any one presently sees and says, that a bushel of wheat is double the value of a yard of that cloth, and but half the value of an hundred weight of lead."— *Further Considerations concerning raising the Value of Money.*

NOTE H (*page* 158).

Many of the strictures which have been made on Mr. Ricardo's writings, in this and other chapters, would be in some degree obviated if two things were conceded, namely, if we assume that he was constantly speaking of real value, and if we were to grant him the absurdity which we have shown this expression to imply; or, in other words, if we were to consider it as importing cost of production, without relation to the power of commanding in exchange. But then, although some inconsistencies

would by this means be obviated or explained away, we should obtain in their place a number of others equally irreconcilable, and also a series of unmeaning and identical propositions. For instance, the proposition that a million of men always produced the same value, but not the same riches, would be reduced to this, that what a million of men produced always cost the labour of a million of men: a = a. The truth appears to be, that the idea of real value was seldom distinctly present to his mind, although there was almost constantly an obscure reference to it.

NOTE I (*page* 178).

In speaking sometimes of a commodity produced by an invariable quantity of labour as a measure, and sometimes of the labour itself in that character, Mr. Ricardo has in fact used the term in the two senses mentioned in note D, and passed from one to the other without being conscious of it. When he says, that a commodity produced by an invariable quantity of labour would serve to measure the variations of other things, his meaning, as we have before shown, amounts to this, that such a commodity would serve to indicate the variations in the cost of production, or producing labour of other commodities. But to employ the quantity of producing labour itself as a measure in this sense would be endeavouring to ascertain what is already

presupposed. When, therefore, he affirms labour itself to be a common measure of value, he makes a transition to the other sense of the phrase, and means, that when the quantities of labour respectively required to produce commodities are known, their values in relation to each other are thereby determined.

This distinction, constantly borne in mind, would, I am persuaded, throw great light upon the obscurity which clouds many discussions in political economy, and clearly show the source whence it has proceeded.

THE END.

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